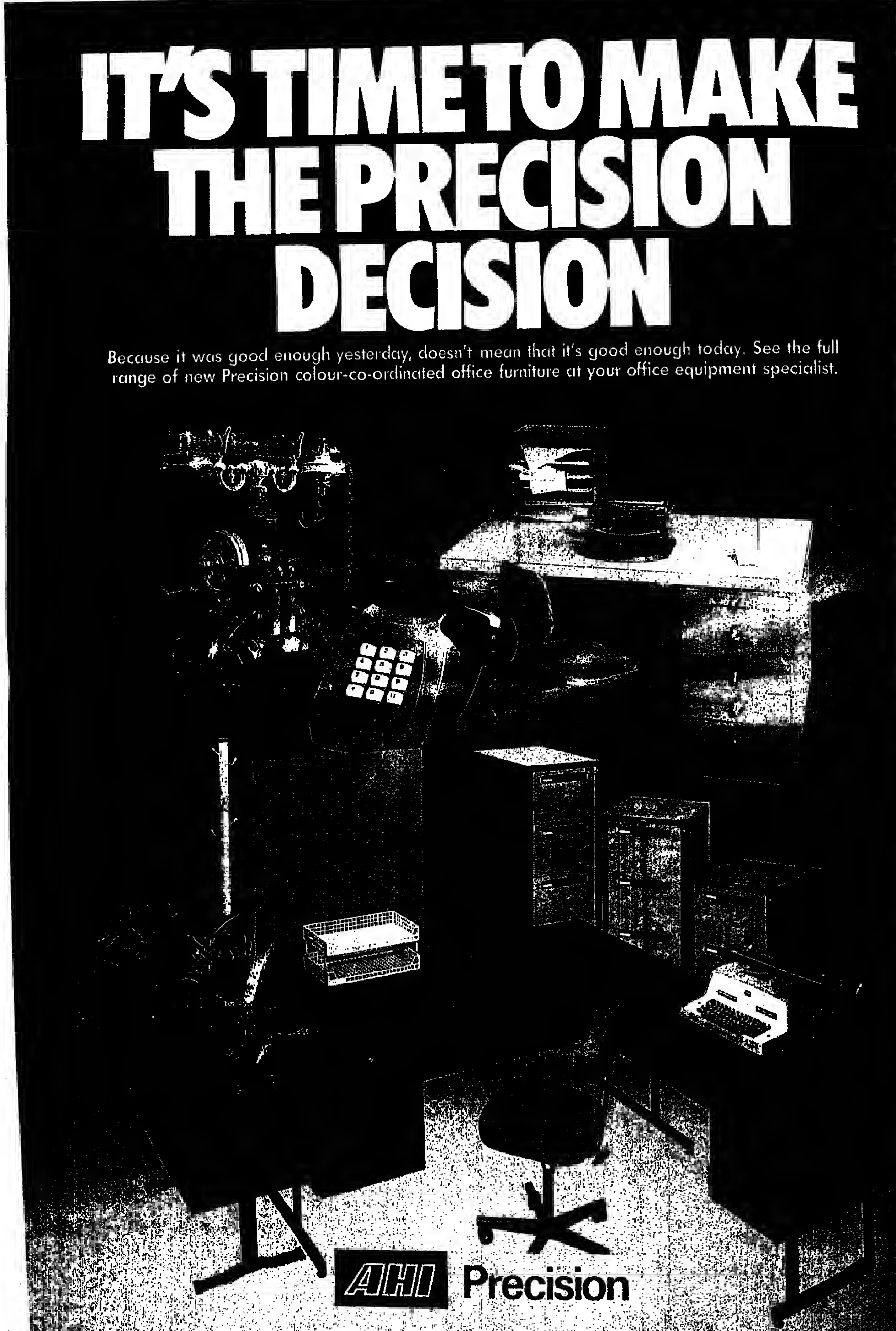


Volume 10, No. 14 (Issue 379) April 21, 1980 ISSN-0110-6813

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

75 cents

Inside

BCNZ pulls plug on testing of Teletext system

by Rae Mazengarb and Stephen Bell

BROADCASTING chairman Ian Cross has scrapped experimental Teletext transmissions after 18 months of testing by BCNZ engineers.

The official line is that the experiments had been completed.

But *NBR* understands they were far from complete. They had been part of a continuing programme and problems were still being found which had to be ironed out, broadcasting sources claimed.

And television appliance manufacturers said they could not accept the reasons given for scrapping the tests.

That decision had not been the only blow to the industry recently, they said. They are disturbed that trade test transmissions have been severely curtailed, handicapping their ability to service television sets.

The industry has officially protested, *NBR* understands.

Teletext provides members of the public — via their television screens — with up-to-the-minute information in data form on aspects of news, the weather, rail services, theatres, aeroplane timetables and so on.

It is an alternative video-information system to Viewdata, and is already in use in several countries.

Teletext does not use the telephone line (as does Viewdata). Instead, the digitally encoded text is carried on the unused portion of the television signal itself.

If subscribers want information, they dial Teletext on their home receivers.

BCNZ started experimental Teletext transmissions countrywide in January 1978. Late last year the experimenters were "instructed by the chairman to stop transmissions", *NBR* was told.

Seeking first-hand experience of both technical and operational aspects of the system, engineers at BCNZ had been constructing and programming their own microprocessor-based Teletext equipment.

The test transmissions gave not only experience of the technology of Teletext, but also gave the experimenters a useful idea of the kind of studio resources and logistics which would be needed for a practical service.

During the test period a great many problems were encountered, mainly due to Teletext signals interfering with other equipment.

Those problems had been overcome by the time the testing was ordered to cease, but sources said they expected further problems would be identified as the programme progressed.

The tests were primarily for the engineers, but at least one Lower Hutt television appliance firm, and one in Auckland, had been picking up the signals.

The cost of the equipment has hardly been staggering — at around $300 for the equipment to hold the eight pages of text involved in the experimental transmission, and about $500 for each Teletext decoder.

An Auckland firm has been making the receivers for some time and has produced around 100 receivers for trial marketing in Australia.

Since the "stop" order, the Teletext champions have continued to monitor overseas developments. But interest is now "theoretical rather than practical," said one.

Asked why the programme had been halted, BCNZ public affairs manager Charles Martin said the "corporation's priorities" in terms of both finance and manpower were to the extensions to the second channel and to the improvement and extension of radio coverage.

Teletext transmission was a policy decision, he said, and therefore one for Government.

He pointed out the service had ramifications from a cost point of view. The test programme had been for the engineers' information and it had been completed, he said.

But a director of a large television set manufacturer said the test programme was "very cheap" from the cost point of view. The power consumed was minimal, he added.

He said there had been similar developments in Australia, which had been on the threshold of introducing the service about two years ago. Then the Australian Government "suddenly brought things to a crashing halt."

But the Government there has recently allowed experiments to proceed.

It seems the Australian Government was frightened of adopting a system which might quickly become out of date. The Australian experiments were with the IBA and BBC systems also, but countries such as Canada and France had developed their own different systems.

But the British system was "tried and proven," the manufacturer said.

Referring to the curtailment of test transmissions that manufacturers had sponsored — in return, receiving advertising in the test pattern — he said servicing groups had been severely handicapped in their work.

He pointed out that the trade tests consumed a great deal of power and were costly, but they were a real public service.

Meanwhile BCNZ experimenters are waiting for the results of a report on the reception of the Teletext signal in the difficult Wellington area.

They are continuing to publicise the medium.

A demonstration is planned as part of the forthcoming seminar on microprocessors at Victoria University in Wellington. This will not involve retransmission of the signal, but will operate entirely from videotaped material.

Corruption charges: first trials next month

by Rae Mazengarb

THE hearing of charges into allegations of corruption in the Department of Trade and Industry will begin when the first of the trials opens in the Wellington High Court (formerly Supreme Court) on May 19. Proceedings are expected to continue till July.

Four people have been charged, but their names have been suppressed.

Each of the three trials is expected to last for at least three weeks and each will have a common defendant plus one other.

Firm dates have been set down for each trial, but the order in which they will be heard has not been finalised.

The second and third trials will begin on June 16 and July 14.

Lower court depositions were taken on July 30-31 and August 7 last. The defendants, who have pleaded not guilty, were released on bail.

The police were called in by Trade and Industry officials late in 1978 after irregularities came to light during the Ombudsman's inquiry into the importing activities of the former National MP for Taupo, Ray La Varis.

Investigations have been continuing since then.

Trade and Industry Department Deputy Secretary Geoff Datsun emphasised in January last year that "no inference should be drawn that it (the corruption investigation) is connected with the La Varis case."

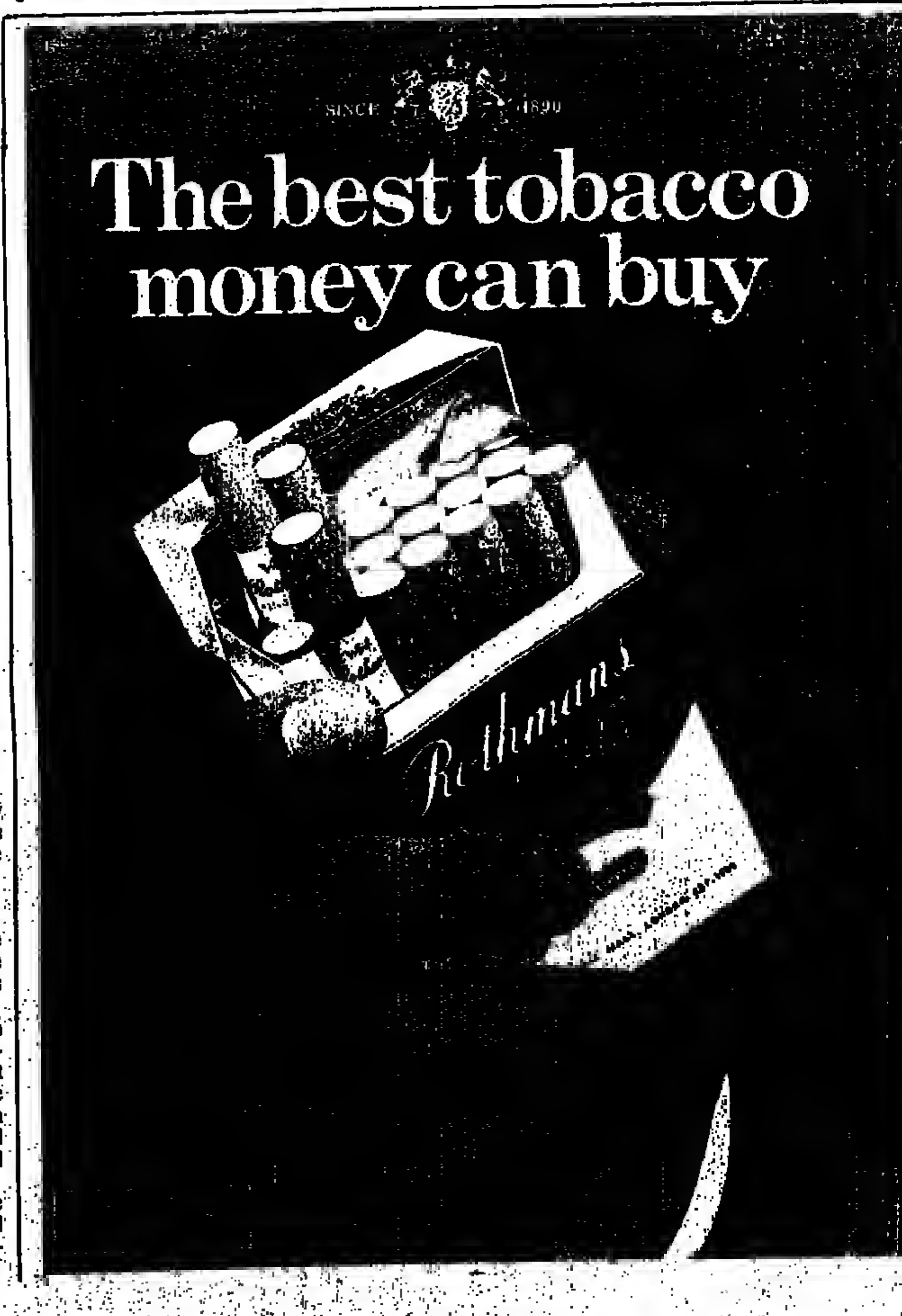
The Chief Ombudsman, George Laking, in his report on the La Varis Inquiry, said he had received information from the department indicating that some "import licences may have been issued or transferred without proper authority".

It is understood the inquiry centres on one person who is no longer employed by the department.

The crown prosecutor, Ken Stone, accompanied by Kit Toogood, will prosecute at the trial. The defence counsel are "many and varied", sources said.

Asked about the delays in getting the case to trial, a Supreme Court official said last week that May had been the first available date on which the matters could proceed "bearing in mind the expected duration".

He pointed out there were to be three lengthy trials, and said these had to be programmed for.



The week

Unions seek increase

THE FOL and Combined State Unions agreed on the need for an immediate general wage increase and asked Government to meet with them for talks. They indicated that if talks were refused it would jeopardise the forthcoming wage-fixing talks.

FOR the first time in New Zealand legal history a case was tried by a judge without a jury. The new procedure (not available for offences which carry 14 years jail penalty) results from a recent amendment to the Crimes Act.

A RETIRED Australian Justice Robert Taylor was named to lead the three-man Royal Commission of Inquiry into the Arthur Allan Thomas case. The other two members of the panel are former cabinet minister Peter Gordon and Anglican Archbishop the Reverend Allen Johnston.

TELEVISION New Zealand reached agreement with Soviet authorities on coverage for the Moscow Olympic Games — it will be hiring equipment to provide coverage for the full two weeks of the Games and will provide coverage for the Asian Broadcasting Union (spanning countries from South Korea to Iran and back down through the South Pacific). TVNZ plans to produce 2¼ hours coverage a day — one hour of international events, 15 minutes on New Zealanders, and the last hour on other main events including top hockey and soccer matches.

THE possibility that the future ambassador to Washington could be a cabinet minister was not ruled out by Prime Minister Rob Muldoon, although the post has generally been filled by a top career diplomat. The decision on the new appointee will be made after the return of the present ambassador, Mervyn Norrish.

NEW Zealand's response to President Carter's call for sanctions against Iran was postponed by Cabinet for at least another week (see editorial — Page 6).

BRITAINS' deputy leader and Secretary of State, William Whitelaw, met with Prime Minister, Rob Muldoon, other Ministers, and the leader of the Opposition, Bill Rowling, and addressed the Institute of International Affairs, during his New Zealand visit.

PACIFIC Forum countries are to study the needs and potential of Pacific Island states in the control of their 200-mile fishing zones. Australia and New Zealand will send a civil surveillance advisory team to the forum countries.

WORK began on a 500-bed luxury hotel 17 Airport Auckland Travelodge. The $14.5 million hotel, to be owned by the Government and managed by Travelodge chain, is expected to be built in two years. Mainzeal Corporation has the building contract.

WELLINGTON'S daily newspaper, the *Dominion*, was barred from the Prime Minister's news conferences. The move was in retaliation for its deleting two paragraphs from a press statement. The ban was short-lived. The paper's editorial, the next day, published the paragraphs. The Prime Minister withdrew the ban.

THE MP for Southern Maori, Whetu Tirikatene-Sullivan, intends to introduce a private member's bill to honour a section of the 1840 Treaty of Waitangi which guaranteed Maori signatories possession over their land, forests, and fisheries.

TRANSPORT Minister Colin McLachlan was back at his desk after three weeks absence because of illness.

CREAM prices will increase by a third from May 1.

CONSERVATIONISTS were a force to reckon with at the hearings that began last week over water rights for the Natural Gas Corporation's proposed ammonia-urea plant at Kapuni. The Environmental Defence Society is appealing against the Waimate West County Council's decision to allow the discharge of plant effluent and contaminated water on to pasture land. The corporation is appealing to extend the water rights decision to June 8, 1991.

COMALCO'S proposed extention to the aluminium smelter at Tiwai Point by an additional pot-line was okayed by the Nature Conservation Council, which deemed it an ideal site.

THE DRIVER'S Federation elected Dougal Soper, previously secretary of the Southland Driver's Union, as its new president, replacing Ken Douglas who did not seek re-election.

The business week

Ashby Berg and Co Ltd reported an unaudited tax-paid loss of $117,300 for the six months to January 31 ($139,600 same period last year). An interim divident of 7.5 per cent is payable on April 30.

L D Nathan & Co Ltd reported an unaudited tax-paid profit of $2,635,000 for the six months to January 31 ($1,788,000 last time). An unchanged interim dividend of 6c is payable on June 12.

Naylor Love Construction Co Ltd declared a preference dividend of 2.5 per cent for the six months to March 31, payable on April 30.

Optical Holdings Ltd reported an audited tax-paid profit of $11,312 for the year to December 31 ($22,489 the previous year). A dividend of 12.5 per cent is payable on June 6.

Wattie Industries Ltd lifted unaudited tax-paid profit by 28.2 per cent taking it to $9,356,000 for the six months to January 31. A tax-free interim dividend of 8 per cent is payable on June 15.

Wilson Distillers Ltd reported an unaudited net loss of $36,982 for the first six months of the financial year ($25,263 same period last year).

Corrections to April 7 issue: The wrong company's results were reported under the name of Ebos Dental and Surgical Supplies Ltd whose results were consequently omitted for that week. Those results will be repeated under the correct company's name and the missed out entry will be reported:

Ebos Dental and Surgical Supplies Ltd reported a tax-paid profit of $250,220 for the year ended December 31 ($133,941 the previous year). A final dividend of 11 per cent is payable on May 12.

John Burns and Co Ltd reported an audited tax-paid profit of $420,000 for the six months to December 31 ($159,000 for same period the previous year). An interim dividend of 10 per cent is payable on May 30.

The Week ahead

Monday: A delegation led by Health Minister, George Gair, is in China until May 2.

The Government decision on the organisation of the Town Milk Supply is to be announced.

Tuesday: New Zealand Society of Dairy and Technology conference in Whangarei.

Wednesday: Wellington Supreme Court Hearing of ABC Containerlines and the New Zealand Wool Board. ABC, a freight rate cutting, non-conference shipping line, alleges restrictive trade practices on the Wool Board's part. The Board barred ABC from carrying wool from this country to the United States and Europe.

James Aviation Ltd annual general meeting in Rotorua.

Thursday: FOL meets with the Employers' Federation and the Government to talk about a joint wages policy.

Alcan New Zealand Ltd annual general meeting in Auckland.

Saturday: Plastics Institute conference in Nelson.

Book Sellers and Publishers Association conference in Rotorua.

Exchange rates

As at April 17 1980 $NZ is worth:

Australia	.8653
Britain	.4257
Canada	1.1209
Fiji	.8005
Japan	233.51
West Germany	1.7442
United States	.9459
Austria	12.54
Belgium	28.29
China	1.4417
Denmark	5.4695
France	4.0546
Greece	38.94
Hong Kong	4.7140
India	7.5070
Italy	820.42
Malaysia	2.1331
Netherlands	1.9228
New Caledonia & Tahiti	73.86
Norway	4.7397
Pakistan	9.1141
Papua-New Guinea	on app.
Portugal	46.97
Singapore	2.0885
South Africa	.7496
Spain	67.20
Sri Lanka	on app.
Sweden	4.1431
Switzerland	1.6178
Western Samoa	.8853

IWD fosters debate

IVON Watkins-Dow, manufacturer of 245-T and other agricultural chemicals, has spiked the guns of the environmental lobby.

After its annual general meeting on April 30, the company plans to hold a 30-minute panel discussion, open to the public, on the issues surrounding the controversial product.

On the panel "for" 245-T will be Dr D Beacroft, an Auckland pathologist and Bob Moffatt, research manager for Ivon Watkins Dow.

The opposition will be represented by Alistair Graham, of ECO (the umbrella group of environmental and conservation organisations), and Roger Wilson, from Friends of the Earth, which recently launched a major campaign against continued use of the herbicide.

Speakers will have five minutes each to state their case, before the floor is opened to questions from shareholders and the public.

The week

Ansett flies into flak over Boeing deal

by Ann Taylor

TRANSPORT Minister Colin McLachlan will put a proposal on new aircraft for Air New Zealand to Cabinet today.

Indications point to the purchase of five 400-passenger Boeing 747 jets with General Electric engines, in what appears to be a straight forward deal.

Finance for the deal has not been publicly disclosed. But there is a lesson to be taken from the recent Australian experience.

Ansett Airline's loan from the American Export-Import Bank, to provide for the purchase of 18 Boeing jets, has caused dissension within Eximbank, the United States Senate Banking Committee and the OECD review of export credits.

The $290 million loan was approved by the bank's board in February after Rupert Murdoch, Ansett's joint managing director, met President Carter, and before Murdoch's *New York Times* endorsement of Carter for re-election.

Ansett had been considering a deal to buy four European-made wide-body Airbus A-300s before the Eximbank offered the loan at an average interest rate of 8.1 per cent.

Murdoch made clear to the bank's board meeting, which considered the loan on February 26, that he required an answer by February 29 when the Airbus proposal expired.

The board, apparently, did not know the details of the Airbus bid. But chairman John L Moore Jnr put it to the board that: "We've got to put up or shut up this week in any way we can".

The Airbus offer for an American dollar loan was at an interest rate of 9.25 per cent.

The preliminary financing commitment entered into is in two parts:

- Government financing for 85 per cent of the $236 million purchases price of five Boeing 767s, in American dollars, over 10 years at 8 per cent;
- Financing for the purchase of the 727s and 737s at 8.375 per cent and 8.4 per cent respectively.

The average Eximbank loan for aircraft in the last financial year provided coverage of 51 per cent on average, and an interest rate of between 8.4 and 8.5 per cent. Interest rates have risen since the end of the year.

The United States Senate Banking Committee has put a series of questions to the Eximbank and the Treasury. It reportedly regards the interest rate, averaging 8.1 per cent, as too low.

The committee wants specific answers on why Ansett was offered 8.1 per cent, when Airbus was reportedly offering 9.25.

"The *New York Post's* endorsement of President Carter, three days after the bank gave preliminary approval to the financing, gives an impression of impropriety, and leaves the impression that a key Government agency may have been politicised to further the President's re-election," the committee states.

Sir Peter Abeles, Ansett's other joint managing director, in a letter to the committee, said: "This company has dealt with Eximbank through many financing transactions over the past 15 years (as has its primary competitor, TAA), and it is exceedingly unfair you should suggest that improper use of political influence was involved in the negotiation of these loans".

Abeles asks: "... that any inquiry into these loans does not involve publication of unsubstantiated statements and allegations. These could damage the reputation of this company which has long been a friend of the United States."

Ironically, American negotiators left the 1979 OECD general review of export credits, after charging European delegates with failure to seriously negotiate the issue of tighter aircraft financing.

American delegates to a meeting next month apparently will put pressure on to raise the minimum level of interest and to shorten the period an item can be financed.

Boeing lost the TAA contract to Airbus and pulled out all stops to get the Ansett contract, which consists of five 767s, four 727-200s and 12 737-200s. Boeing has hastened delivery of Ansetts 737s and it will be the first airline outside of the United States to take delivery of the new generation 767.

Suggestions that Ansett was given bargain basement prices have been sidestepped by Murdoch and Sir Peter Abeles.

Boeing has given no commitment to meet the Australian Department of Productivity's 30 per cent offset requirement.

The Ansett purchase is a significant departure from the Australian two-airline arrangement and will encourage different route structuring and force different time-tabling.

The Australian Government is looking to further competition between TAA and Ansett, and there is a public inquiry into airfare structure, specially on major domestic routes.

Crown Law headless

by Rae Mazengarb

THE country is without a Solicitor-General following the appointment last month of Richard Savage as a High Court judge.

Attorney General Jim McLay will be travelling overseas this week on a trip which will last around three weeks. And some members of the legal professional — more particularly in the Crown Law Office — are anxious to know when a successor will be appointed.

The Crown Law Office has lost two of its top three people in recent months, including Peter Graham to the District Court. Sources suggest that the office is not running as smoothly as it should.

The office is lacking in senior staff, which is said to be affecting the office's ability to get things done.

A constitutional office, the Solicitor General is appointed by the Governor General. The position is one of importance.

Some of his powers are interchangeable with those of the Attorney General, but others are unique to his office.

So when it comes to undertaking some tasks, the Crown Law Office is in a state of suspended animation.

As one official explained, the lack of an appointee has not created large backlogs in the system, but has created difficulties which, with the passage of time, will become greater.

An official from the Attorney-General's Office said it was not possible to say if an appointment would be made before McLay left the country. But he said no real difficulties had arisen because of the delay in appointing a successor.

However, there were bound to be "minor administrative difficulties", he said, referring to some matters which the Solicitor-General alone can attend to.

And Crown Law Office work could not be done "as expeditiously as usual", since it had to be channelled up to the Attorney-General, he said.

But Law Society president Tom Eichelbaum said the office was an important one and he cautioned against haste in naming the new appointee.

The week

Court decisions spell end to alternate airline

NATIONWIDE Air — in its various forms — has probably taken its last nosedive with its liquidation in the High Court at Auckland.

In an earlier court action, the Chief Justice, Sir Ronald Davison, delivered a judgement which effectively spelled the end of plans by entrepreneur Matt Thompson and lawyer John Rutherford to get their concept of an alternative airline off again.

The judgment relates to claims made on behalf of Air North and Nationwide Air Akarana against the Air Services Licensing Authority and the Ministry of Transport.

Sir Ronald had considered allegations that the Air Services Licensing Authority was biased, partial, lacked discretion and did not conduct its proceedings in relation to Air North in accordance with natural justice.

He dismissed all the claims last week. How the claims came to be made, the timing of the hearing and the impact of the decision given the subsequent events overshadow the findings themselves.

The original argument related to plans by Air North and Cars Haulaways Ltd, whereby, according to the judgment: Car Haulaways would take over the share in Air North; two of the company's aircraft would be replaced with two larger aircraft; and the company would operate a freight service.

The standard terms and conditions order of the Air Services Licensing Authority allowed licensed operators — Air North had Air Charter rights from Bay of Plenty aerodromes to anywhere in New Zealand — to replace aircraft of comparable seating capacity without a public hearing before the authority.

Air North and Car Haulaways planned to do exactly that, except that the aircraft they planned to substitute for the 10-seater Air Commander and the 16-seater Heron, were a Curvair and a Convair capable of taking 84 and 44 passengers respectively.

Was such a substitution valid? Or was it just a way around establishing an air freight service without the need to justify publicly the need for such a service?

The authority ruled the substitution invalid, and Air North took court action as well as appealing against the authority's decision.

Mount Cook had earlier raised the question of the substitution clause with the Ministry of Transport, which recommended that it be changed. The authority held a public inquiry on the matter smack in the middle of the substitution row with Air North.

Out of that hearing rose the claims of partiality and bias, directed particularly against the chairman, Jim Tiller, a former deputy general manager of Railways.

It was claimed that he was against free competition and favoured established operators against independents, who he allegedly said were "evil".

Both the court hearing and the appeal went into abeyance when Thompson did get the inter-island freight service off the ground for a short period.

Air North, now known as Nationwide Air, is in receivership. The subsequent company set up, Nationwide Air International Ltd, has been liquidated.

Thompson and Rutherford have been turned down twice by the authority in 1979 for air freight licences, first on the grounds that there was no fuel available to run the service, and then because the applicants' financial position (*NBR* October 31 1979).

started taking apart Air North's route structure once it has ceased operations (*NBR* March 28 1978).

The licence was sold to DHR Wilkie Aviation Ltd by the receiver for Air North. But Thompson and Rutherford subsequently claimed, before the authority, that the licences held by Air North were the property of Nationwide Air International and that monies owed to Air North by the Government were properly to be regarded as assets of the new company.

This argument was disputed.

Dismissing all the claims made by Air North against the authority, the Chief Justice cleared the way for the company's appeal to the Air Services Licensing Appeal Authority. But by his decision that the authority's actions were valid in their entirety, the Chief Justice in effect decided the appeal.

There are still several other matters to be disposed of:

- The question of who holds the Air North licence — a question which is separate from who is licensed to operate their routes. The company did apply for renewal of its licence before going into receivership. If the licence was held to be vacant then another operator could step in.
- The question of the proposed public inquiry into the operations of Air North following numerous complaints about how the service was conducted. This has a bearing on the outcome of the first question.
- There are the monies claimed to be owed to Air North. To whom is the money, if any, to go? Related to that is the precise relationship of that company to other companies in the Haulaways-Nationwide assortment. And that's a matter on which the various creditors might have something to say.
- There is a question of the public interest. If air transport is to remain an industry controlled by a licensing authority, is there any place for other than the established operators? And if there is, how are they to prove it?

Wine rules drop sugar control

by Belinda Gillespie

THERE were no surprises in the wine regulations gazetted last week, but specifying a minimum grape juice content, and removing the limit for the amount of sugar which may be added is a new approach for the industry.

The minimum content of grape juice is 80 per cent. But this does not mean the winemaker has *carte blanche* to add 20 per cent water to his product, according to the Health Department, which polices the regulations.

In New Zealand, sugar must be added to some grape juice in every vintage. The climatic conditions are such, that the harvested grapes often contain less sugar than is necessary for the production of enough alcohol to ensure that the wine is stable.

In the current harvest, for example, the sugar levels of some grapes was down as low as 13 per cent — whereas in hotter countries they contain up to 35 per cent sugar.

Sugar is added in liquid form, which is one source of water in addition to the 80 per cent grape juice.

The rest of the 20 per cent difference is made up by "other food grade processing aids and additives" such as acids, fining agents and stabilisers, which are dispersed in water and added to the juice during processing. Grapes harvested in wet weather also unavoidably incorporate extra water into the juice.

Theoretically, no water could be added to wine under the old rules. In practice, this was impossible to observe as some of the additives had to be dissolved in water.

The range of sweetening substances which may be added has been opened up to include glucose syrup and fructose — previously, only sugar and sugar syrup were allowed.

The old regulations did not specify which fining agents could be used in winemaking, whereas now only the additives which are considered essential are permitted.

The provision for alcohol levels has also changed.

Previously so-called "table wines" had an upper limit of 14.3 per cent. In practice, any wine could be produced with an alcohol content of up to 22.4 per cent, as long as it was not called table wine.

The general limit for wine is now 15 per cent alcohol by volume, and for dessert wine, 22.9 per cent.

There have been changes to the "other alcoholic drinks" standard, the catch-all which previously covered drinks like "Brother Dominic" — products with some of the characteristics of wine, which were not wine.

Such drinks now have to be conspicuously labelled with their ingredients printed in descending order of the proportions in which they are contained.

It is thought that the necessity to declare a content of a large content of water, say 80 per cent, at the top of the list, will ensure that consumers will know that what they are drinking is not wine, though it may have some resemblance.

There is a different standard for the high quality, varietal wines, which must have a 95 per cent grape juice content. Any wine labelled "premium", or "private bin", or bearing the name of a grape variety must meet this standard, and have a 75 per cent content of the juice of the variety named.

The acetic acid level is one of the quality parameters of wine which indicates the degree to which the fermentation process has been fine-tuned. The new regulations have reduced the amount of acetic acid permitted in varietal wines.

Comment

Editorial

A SENIOR Australian Government official — critical of Malcolm Fraser's exaggerated response to the Afghanistan situation and his contrasting attitude to events in Iran — observed: "The Afghan hounds have been barking day and night. His problem was that they have tended to obscure the meows of the Persian cats." The same could be said of Prime Minister Rob Muldoon, who unabashedly avows that our foreign policy is trade.

If indeed our foreign policy is trade, we are finding ourselves in some curious positions that are contradictory to our stated objective. We have chosen to go along with a bellicose American policy on Afghanistan, but to sit on the fence on the Iran question. That position threatens to prejudice our trading interests elsewhere in the Middle East and with the Soviet Union at a time when Iran is looking like a dubious prospect.

New Zealand has not *been as extreme as* Australia in its support for President Carter on the Olympic boycott issue. But the Soviet invasion of Afghanistan which has motivated the campaign to snub the games in Moscow did give rise here to a vigorous denunciation of the Russians, to a slashing of their fishing quotas, and even to a Soviet journalist being sent packing. In the midst of our making overt our sense of outrage to the USSR, we expelled the Soviet Ambassador (and invited the reciprocal expulsion of our man in Moscow). The result is that our relations with the Soviet Union (itself a significant trading partner) are at an all-time low.

The Americans seek our help in Iran, too (and while vital strategic and economic considerations are involved, the Iranian issue immediately centres on efforts to secure the release of some 50 American hostages whose holding by revolutionary students since last November also gives cause to tangibly express outrage).

But while the United States has severed its diplomatic ties with Iran (a protest gesture being considered by other Western countries), New Zealand has *re-opened* its Embassy there. And while the United States is imposing trade sanctions and asking allies to make that strategy more effective by joining the boycott, we have chosen to wait and see how others respond before deciding what to do.

Wool Board chairman John Clarke last week typified New Zealand attitudes when he said Iran was our ninth *biggest* wool customer. But whether Iran could retain that status must be open to some doubt, in view of the American call for other countries to follow its lead in imposing trade sanctions, he noted.

"I believe that sanctions preventing exports of wool to particular countries would be counterproductive," Clarke said. "They would merely frustrate trade to the disadvantage of the exporter, without achieving their primary purpose . . ."

Wool was a freely traded international commodity, and unless sanctions against a particular country were truly comprehensive and involved all countries and trading partners, "they will be quite ineffective." And: "Iran has shown in the past its ability to obtain wool supplies in times of difficulty," Clarke said.

The revolutionary authorities sound confident — even defiant — about the new challenge from America. But the trade sanctions are being imposed at a time when the Iranian economy is particularly weak. That should raise not only the question of whether a boycott now is therefore likely to be effective in securing the release of the hostages, but also of whether Iran should be wooed as a trading partner by those who put dollars first.

According to the London *Financial Times*, Iran's foreign reserves are healthy (at about $15 billion, only some $6 billion of which is frozen in American banks). But any serious disruption of oil supplies would eat into this balance, because of commodity imports. And Iran's oil exports (which bring in $70 million a day) could be endangered not only by cutbacks in supplies to the West, but by failing equipment, lack of spare parts and revolutionary chaos in the oil industry, experts in Tehran believe.

Unemployment is high there (perhaps 4 million in a labour force of $10 million), prices are rising by about 20 per cent a year, industrial production is falling. Only the country's agriculture is showing signs of health.

To overcome the mounting difficulties, there is an increasing emphasis on state control, and foreign trade is being gradually nationalised.

President Bani-Sadr, earlier this month, conceded at a seminar in Tehran: "Since the victory of the revolution, we have not progressed in the struggle against Western domination. We are now even more dependent on imports." Consumption has increased but production declined, he said. Only about half the $10 billion development budget has been spent — and even that did not develop much.

Most seriously, the President pointed out the poor state of the oil industry. He warned that if favourable conditions were not developed to entice back exiled Iranian experts, the industry again would have to use foreign experts. A letter from workers at the main Abadan refinery, published in a Tehran newspaper which supports the President, said production from the refinery was lower than claimed. And instead of a six-month supply of spare parts, there were not even enough for five days.

Iran is having trouble with its neighbours, too (including Saudi Arabia and Iraq — both of whom we seem anxious to please because of trade potential). The Iraqi Government of President Saddam Hussein is campaigning to challenge the Iranian revolution headed by Ayatollah Khomeini, and the Arab states around the Gulf have rallied to its support. That — along with the undeclared alliance between Baghdad and Saudi Arabia — strengthens the Iraqi position. These *countries* — apparently setting aside suspicions of the Ba'ath Party which rules in Iraq in favour of inter-Arab solidarity against Iran — are concerned that the Iranian revolution will be exported across their borders.

New Zealand seems to be ignoring the vulnerability of Iran. We are saying that Afghanistan is the gravest military crisis since World War II (to be met with bluster and boycotts) while Iran is purely an American concern that doesn't require our involvement. But a breakdown of civil authority in Iran, a destructive and total confrontation between Tehran and the United States or a war involving, say, Iran and Iraq could seriously disrupt the economic health of Japan, West Germany and other countries.

Economically, Iran is more important to us today than Afghanistan. It is also more important to future global peace. And the more immediate threat to our interests — and to world peace — comes from Iran, not Afghanistan.

As a result of the invasion of Afghanistan we have strengthened our commitments to the United States. Those commitments just might oblige our involvement in a war that is sparked not in Afghanistan, but Iran. Thus events in a highly volatile region demand a firm foreign policy that accounts for much more than today's bilateral trade levels.

Bob Edlin

Without word of a lie

Oh, to be in London

REMEMBER that Foreign Affairs advert in the sits vac column? The one seeking a first secretary, information, in London — a man who could "get stuff to the Fleet Street Pack"?

Applications closed on December 7 for an appointment to be taken up in January (in a manoeuvre that looked like it was aimed at ensuring journalists outside the civil service wouldn't have time to give notice and arrange to shift).

Well, January has gone by, as have February and March. And no appointment has been announced. Partly, we suspect, because the Minister is as keen on sending a journalist (some of the successes in the job have been people like Gerry Symonds and Mel Taylor) as the Department is on sending one of their own. At least one newspaperman is among the applicants.

But do we hear of an officer who is anxious to get the job and who is somewhat bemused as to why it hasn't been a mere formality.

A few words from Bill Blacklaw . . .

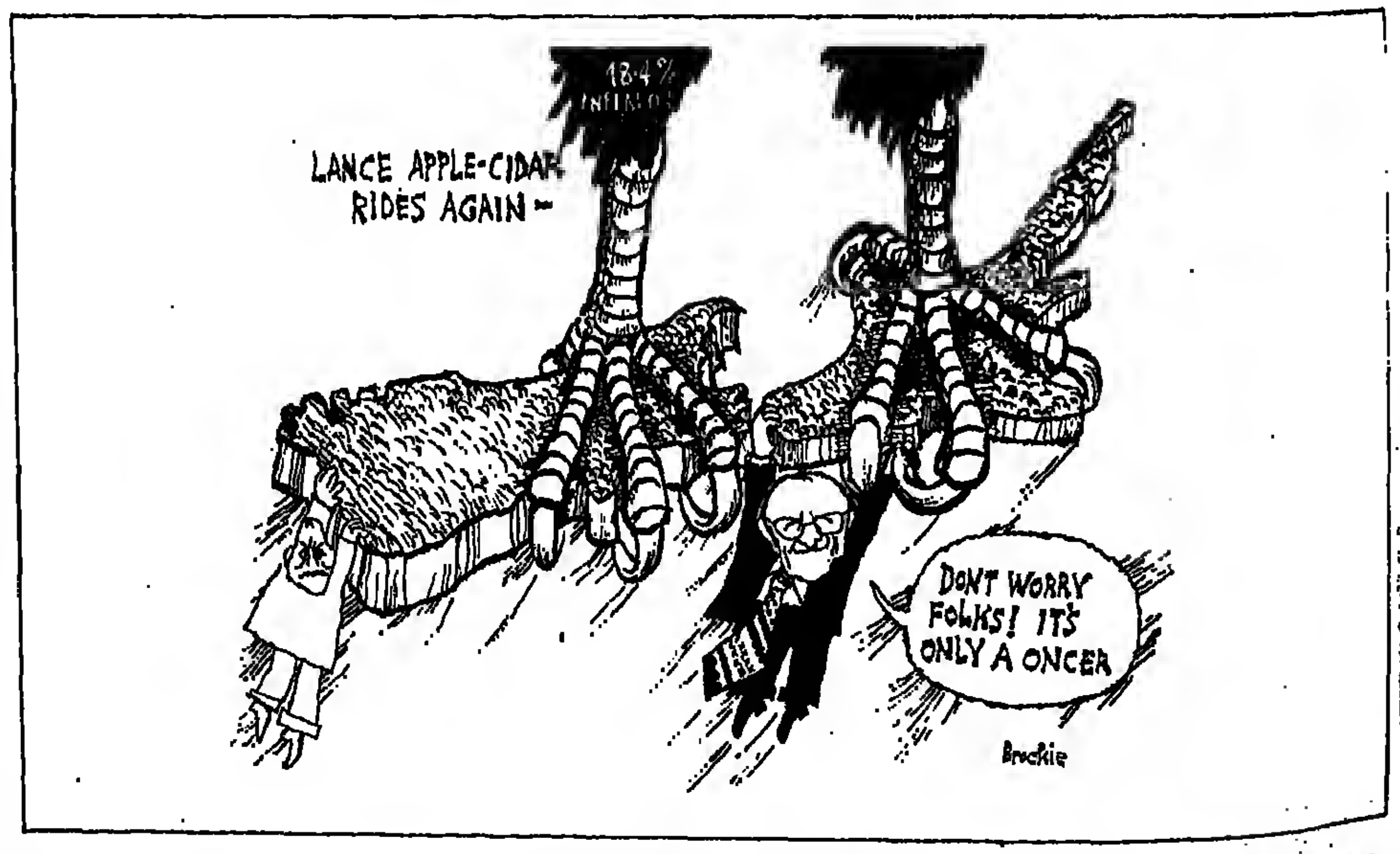
BRITISH Deputy Prime Minister, William Whitelaw was suffering from a bad case of jet-lag when he addressed a lunch-time meeting of the Institute of International Affairs and the Commonwealth Society in Wellington.

The pearled and hatted ladies with dark-suited gentlemen in the audience hung on to the urbane Whitelaw's every plausible word, and even cheered when he admitted to being a dairy farmer himself.

But when Whitelaw had apologised for referring to "our lovely country" as Rhodesia instead of New Zealand for the fifth time, everyone was getting a bit restless.

As he admitted in embarrassment, Rhodesia doesn't exist any more. We can't help wondering if all his fine promises about remembering us in the EEC are of equal substance.

Brockie's view



Doctoring the truth about Australia

AIR New Zealand has been having a tough time in the public credibility stakes lately. And the Aussies are never ones for failing to put the boot into a downed Kiwi.

The front page of a recent issue of the *Sydney Morning Herald* carried a piece about a two-page Air New Zealand ad in the *New Yorker*.

Describing Sydney, the ad said: "A dash of San Francisco. A touch of London. The flavour of New York. And the Style of Paris."

On the Aussie Outback, the ad talked about watching kangaroos jumping as high as your car, coaxing koalas out of trees, and meeting penguins dressed for dinner.

The *Sydney Morning Herald* wryly concluded: "Australia, it (the ad) concludes, is 'more fun than Dr Seuss'. About as believable, too."

Exporting our culture

AN Auckland University rugby team lost its jerseys in Los Angeles — and discovered a mystery.

The replacement jerseys, bought in Los Angeles, made in New Zealand by Canterbury cost $8 each. They had been paying $23 each for the same jerseys at home.

They might also have noticed that New Zealand beer was cheaper in California than at the local pub in Auckland.

The reason: those export subsidies (sorry incentives) which allow our goods to be competitive in California after paying freight and insurance. Thus the Kiwi consumer, on half the Yank's wages, nobly makes a selfless contribution to send his culture, footie and beer within the reach of Americans.

NATIONAL BUSINESS REVIEW
Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F. Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor.

News & Features:
Colin James, John Draper, Rae Mazengarb, Belinda Gillespie, Stephen Ball, Jack Hoddar.
Contributing:
Finance: Peter V. O'Brien
Auckland Bureau:
Warren Berryman
Advertising Sales:
Manager: Paul A.C.S. Loh
Promotions:
Manager: Kathi Scott

Circulation:
Manager: Jan Chee
Auckland Office:
2nd Floor, Leviena Building
Cnr Airedale & St. Paul Streets, Auckland
Tel: 798-304
Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington N.Z.
P.O. Box 8344
Tel: 736-876
Cables: Natbus

National Business Review incorporates Admart and is a registered publication weekly (except for last week December and first two weeks January).
Typeset and composed by Computype Services Ltd, Wellington. Printed by R. Lucas & Son Ltd, 11B Kapiti Road, Paraparaumu.

Single copies: 75 cents
Subscription rate: NZ$25.00
Member ABC (Audit Bureau of Circulations)

Comment

Pacific Basin: an idea whose time has arrived?

by Graeme Thompson

THERE is growing New Zealand interest in the Pacific Basin idea for trade and economic co-operation. Trade, however, is essentially a bilateral concern, between two countries or companies or individuals. Is it sensible or useful to think in regional terms? What is the Pacific Basin anyway, and what's in it for us?

My view is that any businessman or trade official who leaves New Zealand from now on, without a grasp of the Pacific Basin concept, and what it means for New Zealand, is not going to be properly equipped for the job. He or she will be behind the play, most obviously in Japan, Australia and the United States, but also in other parts of the Pacific, and even in the more outward-looking European countries.

Trade thrives on big ideas. The Pacific Basin is an idea whose time may well have arrived.

What has been called the "increased salience of the Pacific Basin" in the world economy (the quotation is from Lawrence Krause) can be defined in terms of three particular factors:

- The rising role of Japan, through its income growth, its impact both through export and import trade, and its emerging role in world finance;
- The economic stagnation of Northern Europe, especially since the 1973 oil crisis;
- And the remarkable economic success of the newly industrialised countries (the NICs) of the Pacific region.

A fourth can be added: the emergence of China, from earlier isolation, as a major entity in Pacific and world trade.

These factors make the Pacific Basin the fastest-growing area in the world, in production, incomes and specially trade.

I define the Pacific Basin as comprising all those countries with a strong, regional interest in trade development. This includes Japan and Korea, Taiwan and Hong Kong; China, the Asean countries; at least the Pacific coasts of the United States, Canada and Latin America; the Pacific island countries including Papua New Guinea, Australia, and New Zealand.

Some definitions include only the market economies. This is too limited a concept for New Zealand, for which trade with China (and perhaps Vietnam) could be important. The USSR cannot be excluded from the lists, if only because of its long Pacific coast, its history in the region and its current commercial interests.

There is a quite specific measure available for the growth of inter-dependence among Pacific Basin countries. It relates to the amount of trade these countries do with each other. Those that I have mentioned do most of their trade, importing and exporting, with other Pacific nations.

In 1976, the 14 main market economies in the region directed 54 per cent of their exports to others in the Pacific, and received 52 per cent of their imports from them. Dependency on other Pacific countries was highest among developing countries, ranging from 56 to 90 per cent of total trade — but it was also large for Australia, Japan and New Zealand.

Without conscious Government planning — though there has been much business interest, centred in the Pacific Basin Economic Council — we have joined the club. Between 1965 and 1975, New Zealand exports to Pacific Basin countries increased from 26 to 51 per cent of total exports. Over the same period, exports to the present members of the European Community declined from 68 per cent of the total to 33 per cent. The sharpest reduction was in exports to Britain, down from 51 to 22 per cent. For New Zealand, this was a dramatic change in the pattern of trade.

Changes in importing were in the same direction, although less pronounced. Already in 1965, New Zealand obtained 47 per cent of its imports from Pacific Basin countries. By 1975 the proportion had increased to 55 per cent.

Developments since then have tended to reinforce this new situation in external trade. While Community and other markets and sources of imports remain important, in some cases critically important, well over half of New Zealand's two-way trade is now firmly established within its own wide region, the Pacific Basin. Moreover, the prospects for trade growth in the region are in many respects highly promising for this country.

In 1978-79, more than 60 per cent of our exports went to Pacific Basin countries and they provided an even larger share of imports.

* * *

Three major influences have produced the changes in the pattern of New Zealand trade. One has been the growth and diversification of the economy in the 1960s and 1970s. The second has been the rapid development of other Pacific countries, from Japan south to Australia. The third has been the push from the European Community.

New Zealand has been much more adaptable and business-like than most people give it credit for. As a result, it is now linked with a great combination of developing and industrial economies which are interacting, in increasingly positive and dynamic fashion, to reinforce their own economic growth and change.

New Zealand trades world-wide but four countries — Britain, the United States, Japan and Australia — now dominate its imports and exports. Three are Pacific Basin countries, and their share of total trade has increased while that of Britain has greatly diminished.

Those other than the "big three" with which New Zealand economic links are significant, involving more than 1 per cent of two-way trade in 1978-79, are Canada, Singapore, Hong Kong, China, Korea, Malaysia, and Indonesia. Together, trade with these countries approaches that of New Zealand with the European Community, excluding Britain.

A large part of this trade is in new products as well as new markets. In fact nearly all the growth in manufactured and highly processed exports, in forest products and in minerals has taken place within the region.

Trade development in the Pacific Basin has not been without difficulties, and there are major obstacles to be overcome. But in other regions, stable relationships have been much more difficult to establish and maintain. We have done well in the Pacific and can do better.

* * *

The dimensions of New Zealand's involvement extend well beyond the exchange of goods. Tourism is Pacific-oriented: nearly 80 per cent of foreigners vacationing in New Zealand in 1979, and more than 70 per cent of all visitors, were from Pacific Basin countries — Australia, the United States, Canada, and Japan — and many of the others were from the South Pacific or South-east Asia.

Other services exports have the same orientation. Contracting and consulting, largely in the developing countries of the region, is a growth industry involving an increasing number of engineers, agriculturalists, forestry specialists, contractors, management consultants and computer software firms.

New Zealanders are starting to think in terms of foreign investment *in Pacific Basin* countries, a logical development of the growth in trade. Interest has also grown among Pacific countries in the prospects for investment in New Zealand's resource development. Four Basin countries — Australia, the United States, Japan and Korea — already account for nearly half of recent overseas investment here.

Most of New Zealand's official aid (about 95 per cent of that specified by country or region) is disbursed in developing countries in the Pacific Basin.

Our defence arrangements are similarly concentrated in this area — in the Pacific islands, in South-east Asia and in our basic security pact, the Anzus agreement.

There are many historical ties, through the Commonwealth associations with Pacific and South-east Asian countries, through the links with Australia and the American West Coast which go back to the earliest days of European settlement, and through the pre-European associations with Hawaii and many other parts of the Pacific. Bilateral contacts thus build on a diverse and extensive Pacific background.

This means that New Zealanders move easily in the region — it is our part of the world.

It is much too soon to consider specific organisation arrangements, treaties, or regional trade arrangements.

On the other hand, there are obvious possibilities for increased co-operation in transport, communications, resource management, and other areas of joint interest.

We tend to think that the initiatives should be taken at this stage in a non-government framework, to provide flexibility and avoid the complications likely to arise in formal negotiation before the issues and interests are fully defined.

Perhaps the most attractive feature of Pacific Basin development is that there is no tradition of regional co-operation — the initiatives have to be pragmatic, and trade-oriented, and they will not succeed unless there are clear, practical mutual advantages for the countries concerned.

One of the advantages for New Zealand lies in a new sense of identity.

As its historical ties to Britain have weakened, largely because of the changing direction of British interests reflected most clearly in membership of the European Community, New Zealand has had to work towards alternative futures. Trade has always been a vital consideration and the development of new patters of trade has been accompanied by an interest in closer economic, political and cultural relations in a number of directions.

New Zealand's future has been variously discerned as lying with South-east Asia, Australia, the South Pacific islands, and even the United States. No one of these Pacific scenarios has carried conviction.

A place in the Pacific Basin, however, as one of a number of independent states, could well be established. This would be consistent with New Zealand's need for closer association with Australia, Asean, and others. It would reconcile the responsibilities for development in the South Pacific island states with the broader concerns of Pacific trade. An active Pacific role would also make New Zealand more relevant to European countries (including Britain) which retain South Pacific interests as well as the desire to share in the growth opportunities of the Pacific as a whole.

New Zealand is inevitably the minor partner in most of its bilateral relations in the Pacific Basin — its trade with the United States, Japan or the Asian growth centres is a small part of their range of economic and political concerns.

In the wider Pacific context, however, New Zealand has considerably more relevance. It has increasingly close and productive relationships nearly everywhere in the region, sharing many interests with both industrial and developing countries including the pragmatic desire to expand trade.

As a small but developed welfare state with strong European and Commonwealth traditions, it has a significance in a diverse Pacific community which New Zealanders have been slow to realise. It is well placed to encourage and participate in measures to increase Pacific Basin co-operation.

Among its Pacific Basin trading partners, New Zealand can be identified as a resource-rich country in a region in which the most rapidly growing economies are, by and large, short of resources other than people and enterprise. The resources are found both from land and the exclusive economic zone, other agricultural commodities, forest products, minerals, and surplus energy.

Depending on continued increases in production and incomes to New Zealand's north, the demand for these resources cannot fail to grow, and with it the degree of inter-dependence between New Zealand and the rest of the Pacific Basin.

Increased trade in manufactured goods is also likely to be a feature of New Zealand's Pacific Basin trade. While it offers small markets by most Pacific standards, its interest in expanding its own trade base is an encouragement to reduce restrictions on imports of manufactured goods wherever and whenever conditions permit.

The development of exports and imports of services, among Pacific countries, is also a growth area in which New Zealand will participate. In tourism, it has the natural resources perhaps most highly prized in a region heavily populated and increasingly urban and industrialised.

New Zealand also has now a set of investment opportunities which is attracting fresh interest in its development potential and will certainly involve increased direct investment from Pacific Basin countries.

Thus there is emerging a Pacific role for New Zealand which stems from the totality of its economic and political relations with the countries of the region, from its expanding resource base, and from its close and well-established links within the South-west Pacific — among the islands with Australia.

This Pacific future should be taken seriously as we trade and negotiate our way through the bilateral contracts and negotiations that will give it substance.

It can be seen as a two-stage process. The next four to five years will be primarily an investment phase, during which growth in trade and other relationships will continue broadly along present lines while the major new resource developments are in train. There are a number of opportunities to be taken within this period, in manufacturing, tourism and further diversification of agricultural trade.

By the mid-1980s, however, New Zealand's resource base will have been transformed by the completion of major energy and energy-intensive projects, and its export capacity enlarged in many other respects. From about 1990, moreover, immense new forest reserves will be maturing. It is on these new developments, which will support increased growth and a more outward-looking economic strategy, that the full potential for New Zealand in the Pacific Basin could be realised.

Graeme Thompson is Chief Economist with the Planning Council.

Letters

Legal status of crushed bush

GARY Taylors letter (*NBR* February 18) concerning the source of the questionable inspiration for the aroma of a liqueur known as Ti Toki produced by Balic Estate Wines has drawn a somewhat ill-considered reply from W L Vaigro (*NBR* March 10).

He claims, amongst other things, that Taylor has displayed scant regard for facts, but it seems that he does not dispute Taylor's objections to the questionable action of a liqueur maker drawing inspiration from the "sweet scent of crushed native bush".

Rather Vaigro seems intent on drawing your readers' attention to the somewhat irrelevant point that the adjoining University Scientific Reserve is in fact legally State Forest.

Readers of *NBR* who happen to be old enough to remember, may recall that Auckland University once boasted a forestry school.

Use of the land by the Botany Department dates from the closure of the school in the early 1930s and the use of the land both as a scientific reserve and teaching location has continued over many years to the present day.

Only a small portion of the total area is involved in the long-term reversion experiment, which your correspondent incorrectly refers to as "longitudinal". The land in fact is managed and used as a scientific reserve despite its unusual present legal status.

As to the accuracy of Teylor's description of the area bulldozed as being in bush, readers need only to refer to the fact that the owner again has described it as such, in no less reputable source than the *New Zealand Womens Weekly* of January 21. Thus although Vaigro seems in doubt as to the nature of the vegetation crushed, the individual responsible for the destruction has exhibited no uncertainty whatsoever.

That some bush remains on the property is not in doubt. Rome was not destroyed in a day but fell to a series of continuing assaults by the vandals. Readers of *NBR* may therefore wish to join me in expressing the hope that a happier fate awaits those portions of the bush of the Waitakere Ranges that have managed to survive onslaughts of the type alluded to in Warren Berryman's original article.

A R Bellamy
Auckland

Peter Principle in transport

WHAT an appalling chronicle of incompetent mismanagement in "Boat deal holed on bureaucratic snags" (*NBR* March 10).

The villain of the piece is the Marine Division of the Ministry of Transport. It seems to me that I have heard of the Ministry of Transport in the context of bungling elsewhere?

Ah yes — now I remember:

- The controversy over inadequate safety equipment at aerodromes — and the belated admission to the commission of enquiry that incorrect evidence had earlier been provided by the ministry;
- The shambles, which has still not been justified, regarding the merger of NAC with Air New Zealand;
- Mismanagement of the railways throughout the country on a scale too vast to enumerate here;
- The thorough mismanagement of the road transport industry;
- The thorough and continual mismanagement of the Cook Strait ferry service — so much so that it is apparent that any solution must include placing control of this vital link with some other authority;
- The recent ridiculous claim by a captain in the Marine Division, Ministry of Transport, that in future search and rescue operations could be conducted only when the lives of professional seamen were at stake — not for mere amateurs!

In a private enterprise system of accountability for results, the chief executive and immediate advisors would have long since departed.

However, it appears that the "old boy network" is strong enough to keep the key people in such a position as to continue repeating their mistakes and infinitism.

The Peter Principle propounds that everyone eventually reaches their level of incompetence.

Administrators in the Ministry of Transport are to be congratulated — some seem to have demonstrated an ability to attain a level of incompetence undreamed of by most.

A Anthony

Random accuracy

FURTHER to my published comments (*NBR* April 7), one need in any random sample is not just that it be "remarkably accurate" in one or two matters, but that it be acceptably exact in all.

I can demonstrate that this is easily done in New Zealand today without horrendous expense, and I can see no reason why other New Zealand researchers cannot manage it. After all, that is what surveys are commissioned to do.

Secondly, I have no objective to reweighting to correct random error, as distinct from sampling bias, and certainly support any pragmatic valuation of a survey's worth.

I do object, however, to being asked to believe in reported changes in population behaviour that are smaller than the changes in sample composition — compositions which, in turn, do not mirror the population.

Making decisions with rubber rulers and distorting mirrors makes pragmaticism painful!

Thirdly, Mr Todd will find his current sampling techniques described exactly in *"Sampling Methods for Censuses and Surveys"*, written by Dr F Yates in 1949. He is welcome to consult my own library or expertise, as he has in the past, at any time.

Miles Maxted
Researcher
Auckland

Conclusions too hasty

I REFER to your editorial in the March 10 issue.

At no time during the hearings of the Commission of Inquiry in Rescue and Fire Services at international airports has the Ministry of Transport retreated from its initial position, which is that the services comply with ICAO standards, recommended practices and guidance material in all significant respects. Nor did I, as counsel for the ministry, make the kind of comment that you have ascribed to me.

If you were present at the hearings, or if you had obtained reliable reports of what has taken place at them, you would know that my apology to the commission related solely to the ministry's failure to mention in its evidence at the commencement of the inquiry, an aeronautical information publication dealing with the application of the ICAO material to certain borderline cases.

Rather than illustrate lack of frankness or candour, the inquiry hearings have shown the opposite. Mention of the particular aeronautical information publication was omitted by mistake and the mistake was rectified by disclosure immediately it was discovered.

The ministry went further, and cancelled the AIP in as far as it affected the airports with which the inquiry is concerned. In all matters connected with the inquiry the ministry has been open and frank.

I suggest that until the Commission of Inquiry completes its work and publishes its findings, you are not in a position to conclude one way or the other whether the ICAO material is being followed, and to what extent.

J Connell
Office Solicitor
Ministry of Transport

OUR editorial was based on an account of the commission's hearings which appeared in the *Auckland Star* (the accuracy of which does not appear to have been challenged by ministry officials). Further doubts about Auckland Airport's complying with ICAO standards emerged last week in the *Eyewitness* programme which reviewed some of the evidence put to the commission (and which, in essence, lent support to the thrust of our editorial).

Editor

Politics

The good woman: another dimension in politics

by Colin James

LABOUR last week made it 4-1 over National in women members in Parliament. Helen Clark is to be the MP for Mount Albert.

Technically, she is only the candidate for next year's election, but it would take monumental political ineptitude for Labour to lose Mount Albert.

So Labour has widened its lead. Only Marilyn Waring sits on the National side.

The buzz is that Colleen Dewe, who was National MP for Lyttelton before Ann Hercus pushed her out, will get the safe seat of Fendalton. That would make it 4-2.

But Labour has more in store. Margaret Shields will almost certainly take on Barry Brill in Kapiti and should win this time round. (Party notables have found it necessary to remind Brill of the importance of his electorate duties.)

So, 5-2, probably, with, maybe, more to come.

Dorothy Fraser, wife of Bill (now being put out to grass), was one of two front runners for the St Kilda Labour selection, due on Saturday after this column was printed.

And, a longer shot, 31-year-old former party researcher Fran Wilde, is said by party insiders to have the Wellington Central nomination (National majority 916), due this coming Saturday, virtually in the bag.

National, starting its selection procedure later, has some catching up to do. It may be ahead 3-nil on Maoris in general seats, a thorn in Labour's already sorely pricked racial pride, but Labour has the women's initiative.

Helen Clark's selection was one of those rare occasions when a political journalist can feel free to take sides as between candidates.

It has nothing to do with her views (progressive socialist, liberal on moral issues), or her age (30) or brightness (considerable), or any other normal frames of reference for political choice, on which the journalist must remain publicly agnostic.

One can take non-partisan pleasure in her selection because she is a good woman — and politics needs more good women.

In the same way, one would take pleasure from the selection of woman vice-president Sue Wood for a safe National seat.

I don't mean by "good woman" one that does good works or curtsies well or makes someone a good wife/mother. Nor do I mean one acceptable only to hard-line feminists.

I mean that she is a skilful and intelligent politician — and thus a valuable promoter of the cause of women, a worthy cause in the interests of an equitable society.

Clark has already shown considerable practical political maturity.

She is the centre — one hesitates to say "leader" — of a group of women, mainly Auckland and mainly young, who have had quite an influence on the party.

They were a key factor in securing Jim Anderton's presidency last year. Clark herself could be seen at the preceding Federation of Labour conference patiently wooing party-affiliated votes for Anderton.

The quid was not quite paid for the quo, because conservative Workers Union secretary Dan Duggan pipped her for the junior vice-presidency (a contest to be refought at next month's annual conference).

But Clark won places on both the New Zealand executive and the critical electoral planning body, the marginal seats strategy committee.

She and the other women at the centre, notably Auckland University industrial law lecturer Margaret Wilson, have won some quiet — and, they feel, important — victories for women in the party, among them the early appointment of a paid women's coordinator, Pam Nuttall. The support for Anderton has been paying off.

Clark has also served an apprenticeship in local body politics, where she has polled well, and in 1975 as Labour candidate in the safe National Piako seat.

Clark contested the Mount Albert nomination with skill, working quietly over some months to secure local support, with the help of sympathisers in and around the electorate and through her network of women.

Her problem, as the selection approached, was not to come from behind, but to survive a double backlash — the one that works against a front runner and another from spiders whose cobwebs have been torn down a bit too unceremoniously by the Anderton new broom.

In the event she won in a canter from a strong field, with two-thirds of the straw vote of local party members and five (some sources say six) of the six selection panel members — three from the New Zealand executive and three elected by the local party.

She also showed a new, skilful, forceful speechmaking ability — a formula speech with the proportions exactly right, delivered well.

Though she still has some things to learn — most notably the ability to laugh at herself — she has the makings of a formidable MP.

There is, however, another dimension to her win. It lies in the network of women that has gathered around her.

I should hasten to add that hers is no unisex operation. Clark has her admirers and helpers among the party's men.

But the additional dimension is in the nature of the support women can give a woman in politics.

Politics is a lonely occupation, particularly near the top. The emotional and therefore psychological, toll on men strained to breaking point can be heavy — and emotional strain is not conducive to balanced decision-making.

To some extent — and in some cases wholly — men at the top are carried emotionally by their wife or some other woman they are close to.

The very nature of politics can and often does gradually distance them from sustaining contact in the outside world.

The confining, absorbing, excluding world they live in throws politicians on one another — an uncertain source of support, given the competitive nature of the trade.

It seems to me that generally women are more supportive of each other, emotionally and often in other ways, than men are of men.

That same support seems to carry over into politics. Women politicians, it seems to me, have available a resource of support from many women that men have at most from one or two.

Who can say whether this is important in the long view?

Perhaps much of the support women politicians have available to them from their own sex is the support of those advancing a common cause and thus is no more than, say, the early socialists would have had in the early days when they, like women now, were in a tiny minority in positions of influence.

One should not discount, either, the value of male support that, for example, Marilyn Waring gets from Arnold Meyers, her electorate chairman.

But the woman-to-woman support is nevertheless an interesting dimension. And it will be one worth more detailed analysis over the next decade as more "good women" enter positions of influence.

The Society for Research on Women is preparing a series of case studies on just this point. Men may have something to learn from them.

PM enters new phase

by Colin James

THE Prime Minister has entered a new phase. Now he is upstaging himself.

Bill Rowling, for instance, has been trying out a new would-be tough punching style — on foreign land ownership and in an attack on Mat Rata, for example — that looks like nothing so much as a young child who, in throwing the punch, loses balance and ends up on the floor.

On both issues, the Prime Minister could sit back and rake in the chips.

But instead, there he was carrying his vendetta against the *Dominion* on to the front pages by threatening to ban its political correspondents from his press conferences.

The guts of his campaign is that he does not like what the *Dominion's* chief political correspondent Richard Long has written over the past three months on the methanol decision.

Long's persistently questioning articles proved inconvenient. No doubt, given the secrecy of the system, they were also incorrect or unbalanced here and there — but, according to someone who has seen most of the appropriate official papers, they were largely on the ball.

The articles deserved reasoned refutation where that was merited. But the Prime Minister instead swamped his own arguments with a trivial dispute over publication of his disparaging personal comments on Long and his editor.

It's what we voted for, so I suppose we should touch our forelocks and be grateful for the diversion to take our minds off the troubled economic times.

But there is an alternative to this Christians-and-lions stuff and I for one would prefer the alternative — positive uplifting leadership.

Economy

Record inflation signals failure of doctor's magic

Economics Correspondent

THE National Party's election manifesto promised that the great Dr Muldoon would be able to bring the rate of inflation dowo.

But with prices increasing at record levels, Muldoon's economic wizardry seems to exist ooly in the eyes of his public relations firm.

Inflation, as measured by quarter on quarter comparisons of the consumers' price index, rose by 18.4 per cent in March year 1980. This is the largest change in the index during one year since trends in consumer prices were first officially recorded in 1914.

Some critics of the Government have argued that such a high rate of inflation is proof that it cannot bring prices under control. But it may he an indication of something even worse.

The record change in prices is another sign that this Government does not have a clear sense of the direction in which the economy is headed. Nor does it seem to know where it wants to direct the economy.

When the Government took office in 1975, it was made plain that inflation would need to he brought under control and our overseas deficit reduced before the economy could be put on a sustainable growth path. The main objectives of policy were to reduce inflation, keep unemployment down, reduce the balance of payments deficit and generate growth.

After several years of high unemployment and high inflation, it seems the Government did not really think these objectives were important after all.

Inflation was only public enemy number one in the imagination of the public relations firm trying to get the National Party into office. Even if Dr Muldoon can cure inflation and fight off enemy number one, he now seems to have his mind on other things.

Like winning in 1981.

Many of the country's economists think inflation will rise even higher than 18.4 per cent later this year.

Len Bayliss, the Bank of New Zealand's chief economists and a former member of the Prime Minister's "think tank" has said that inflation would be more than 19 per cent for the June quarter.

Bayliss noted that it was the view of other economists, bankers and businessmen that reducing the inflatioo rate was no longer the Governmeot's number one priority.

Since the Goveroment has been unable to bring inflation down below 10 per cent as it originally promised, it now has changed its aim to simply bring prices under control.

So if prices rise to 20 per cent or more this year, a fall in the rate of inflation to 15 per cent during election year will give the impression that the Government has succeeded in controlling prices.

But it is not even clear that the Government is really committed to controlling prices.

Having learned that it cannot achieve promised targets like single digit inflation and low unemployment, the Government has set its sights on less clearly defined objectives like restructuring the economy.

It has now undertaken a public relations exercise to show voters that the economy is on the road to recovery.

Development is taking place, even if only in the fishing, forestry and energy industries. Progress is being made, if only on the export front.

But, the Government's interest to control price rises is little more than a vague promise.

In fact, it could he said that the Government has opted out of controlling prices.

In the 1979 Budget, the Government decided to take the advice of those advocating more free enterprise and relax price controls. This step was effected by replacing the Stabilisation of Prices Regulations with a general system of price surveillance.

Market forces, not Government, were to become the instruments for regulating prices.

The Prime Minister's latest remedy for reducing inflation is to reduce income taxes. But reducing income taxes would put more cash into the wage earner's pockets which could be inflationary.

In fact, the reason for reducing income taxes is to talk wage and salary earners into a smaller wage increase this year.

The whole question of wage-fixing is confusing. When it comes to controlling prices, the Government chooses not to intervene because of its belief that the market is an adequate regulator. But when it comes to wages, the Government is not so sure it likes how the market works.

Muldoon says that he does not want to go back to wage-fixing by regulation. Yet it seems clear that he does want to establish some sort of guidelines.

To bring wage earners around to his way of thinking, Muldoon has offered the carrot of reduced income taxes. And if wage earners can be convinced to pare their wage demands, it is possible that the momentum of the wage/price spiral can be broken.

With producers paying less out in wages and salaries, could be some reduction in the rate of price increase. Or so the economic theory which informs Government arguments says.

But if the Government reduced income taxes, it will have to get its revenue from somewhere.

The Prime Minister suggests that there may be further increases in sales taxes.

Most producers add sales taxes on to the prices of goods. Since price controls are no longer in force, there is nothing to stop producers from increasing prices by more than the amount of sales tax except market forces. In other words, if consumers resist paying the higher prices, firms will have to sell less.

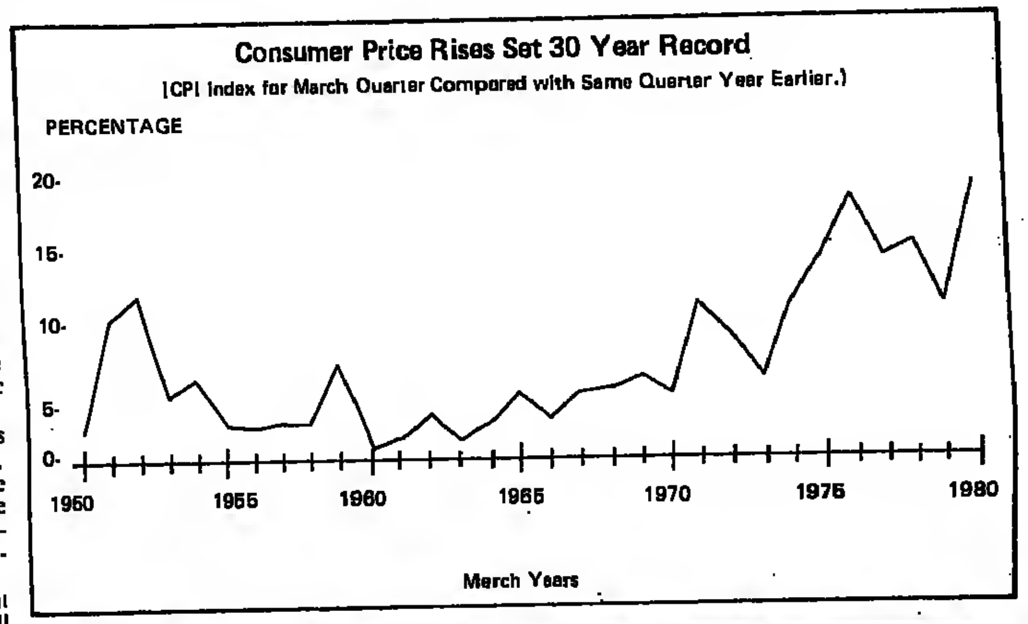
In setting a price, then, a firm will have to decide what the market will hear.

If wage earners have more disposable income hecause of reduced income taxes, the market can hear an increase in prices nearly equal to the reduction in income taxes.

But this does not worry our trusty Prime Minister. Price rises by themselves are not bad. It is only increases in the familiar consumer price index which are a worry.

So he will make certain that any new indirect taxes are put on items which do not have a heavy weighting in the consumers' price index.

His public relations firm should have fun making the most of that decision during the run-up to the next election.



US inflation

CONSUMER prices in the United States rose 1.4 per cent in February, the same as in January. For the three-month period December-February, prices rose at an annual rate of 17.2 per cent, and for the 12 months ending in February they rose 14.1 per cent — higher than for any 12-month period in the past 30 years.

Rising energy and home ownership costs again were the components contributing most to the increase, accounting for more thao two-thirds of the February rise.

Commodities

World cocoa agreement lapses as talks fail

by Yaro Bilun
USICA Correspondent

THE International Cocoa Organisation collapsed after representatives of member cocoa producing and consuming nations failed to reach a new agreement.

The organisation's demise and the expiration of the international cocoa agreement had no immediate effect on the commodity market price of cocoa. But for the first time since 1972, cocoa is being traded without the agreement's price-moderating "floor" and "ceiling" range.

Cocoa is a lucrative cash crop for a number of developing countries that straddle the equator in Africa and Latin America. Major producers include Ivory Coast, Ghana, Nigeria, Cameroun, Togo, Gabon, Brazil, Colombia, Ecuador, and Trinidad and Tobago.

The major buyers of cocoa come from the industrialised countries of North America, Europe, Japan and the Soviet Union.

The cocoa producer-consumer organisation was formed under the first international cocoa agreement signed in 1972 and continued under a subsequent agreement reached in 1975, which expired on March 31.

Both agreements authorised the organisation to maintain a buffer-stock fund that would be used to keep cocoa prices within a stable price range.

The organisation would buy cocoa when the price reached the agreed "floor" level, and sell cocoa from its buffer stock when the "ceiling" price was reached.

The buffer-stock fund was financed by a levy of (US)1c in every pound of cocoa sold.

The inability of producers and consumers to reach a compromise on a new floor price caused the breakdown of the talks in London. The producing countries would not go below \$1.20 a lb. and the consuming countries, while finding that figure too high, said at the last session that they were willing to negotiate a price somewhere between \$1.10 and \$1.20 a lb.

American officials involved in the talks said the producing countries wanted a price commitment before negotiating the other issues to be resolved by a new cocoa agreement.

Consumer countries, on the other hand, presented a package of proposals for negotiation.

In addition to the price limits, the consumers were concerned about the size of the buffer stock and the full utilisation of stock capacity before imposition of export quotas.

The Cocoa Organisation's fund had amassed more than \$210 million, which will now revert to the cocoa-producing countries.

How this money will be used in the future is not yet clear. There have been reports, specially after the producers held their own summit conference in mid-March, that the producers might use the funds to finance an OPEC-style cocoa organisation. Other reports suggest that the funds will be dispensed to the individual producing countries.

The United States did not participate in the 1975 international cocoa agreement. It was the policy of the previous administration not to take part in agreements based on export quotas.

The Carter Administration brought about a basic change in policy toward international commodity agreements, viewing them as a constructive part of the North-South dialogue.

But the Carter Administration, does not have the final word in the question of United States participation in commodity agreements, which are subject to ratification by the United States Senate.

If the United States Government delegation had signed a cocoa agreement that included a floor price considered too high by American chocolate manufacturers, experts believe there would have been little chance of the agreement being ratified by the Senate.

Throughout the negotiations, which began in early 1979, chocolate manufacturers made clear that a \$1.20 floor price was economically unjustified at a time when cocoa production was rising and the demand steady or going down. That assessment was shared by all the cocoa-consuming countries.

Is there a chance of reviving the talks and working out a new agreement between producers and consumers?

Western officials are pessimistic. If the producing countries take the money out of the buffer-stock fund, they say, it will be a clear signal that they are no longer interested in future producer-consumer co-operation.

Could the producers themselves impose and maintain their own high floor price for cocoa without consumer co-operation?

American chocolate industry officials are sceptical that this would work in the long term because it would entail sacrificing foreign-exchange earnings to prop up world prices either by cutting back production or costly stockpiling.

Insurance

State resists regulating brokers

by Rae Mazengarb

NO decision has been taken on the local insurance broking industry's proposals for regulatory legislation.

The Corporation of Insurance Brokers put proposals to Government last year, modelled on the Real Estate Agents Act and the British insurance brokering legislation.

But it is understood the Government is reluctant to introduce legislation to regulate a particular body unless it can be shown to be in the public interest.

The Justice Department has reported to Minister Jim McLay on the matter, but he has referred back to the industry for further information.

There have been only about three cases in the country's broking history which have caused the industry to worry about regulating standards.

But corporation president Murray Hogan said trends in Australia suggested there was a need for legislation here now — not when it was too late.

The CIB sets its own standards for members, but there is no compulsion for brokers to register with the corporation.

While the overseas broking companies exert a measure of control on their New Zealand subsidiaries, local brokers are answerable to no-one, industry sources say.

But overseas developments indicate major changes are taking place in the way the industry is regulating itself in other markets.

The British Insurance Brokers (Registration) Act 1977 — under which anyone who wants to call himself an insurance broker must register — has led to shrinking numbers of those who can claim the title of "broker" in Britain, and in Australia, the industry has taken steps to regulate itself.

After more than a decade of frustrated attempts to obtain regulatory legislation similar to that passed in Britain, Australia's Insurance broking industry plans in July to set up a self-regulating body to be known as the Confederation of Insurance Brokers of Australia.

The structure and rules and regulations of the new body — which will merge the activities of the Corporation of Insurance Brokers of Australia (CIBA) and the Lloyds Insurance Brokers Representatives Association (LIBRA) — will be based mainly on proposals for legislative control of the industry presented to the Government last year.

The confederation will set standards on minimum qualifications of brokers and require members to maintain professional indemnity insurance and observe proper accounting practices.

But the move has been greeted with concern by a third non-participating organisation, the Insurance Brokers Association (IBA), which claims the confederation does not fully represent the broking industry.

The New Zealand Corporation of Insurance Brokers took the initiative on the matter last year to maintain standards and "protect the interests of the insuring public."

Corporation president Murray Hogan pointed out: "Such is the present state of the market that a guy can get himself a couple of agencies and call himself a broker."

Asked if the industry would have the maturity to regulate itself, Hogan said he doubted if any body would have sufficient "clout" to compel industry members without some regulatory instrument to back it up.

The Minister said the other day that "no decision has been made as to whether we should enact legislation requiring the registration of insurance brokers or whether self-regulation by the industry would be desirable.

"I met a deputation from the CIB on this question last year and saw some merit in the views expressed to me, although whether they justify legislation is very much open to question," McLay said.

"I suggested that the brokers might care to submit properly documented cases that I could put before the Government. I have yet to receive that material and until it is to hand naturally can do nothing further."

Manufacturing

Trans-Tasman moves to patch garment tears

by Rae Mazengarb

THE next logical move in the development of trans-Tasman relations is for clothing manufacturers to sit down together and begin some positive discussions about the future, industry sources say.

NBR understands steps toward that end were being taken last week. The New Zealand Textile and Garment Manufacturers Federation was waiting on proposals from its Australian counterpart.

Observers outside the industry said it was not before time.

While accord has been achieved at the highest political level on the development of Nafta — as spelt out in the joint communique released recently by the Australian and New Zealand Prime Ministers — the two clothing groups have appeared far from agreement.

According to Australian manufacturers, there hasn't been a "slanging match".

But they have warned that New Zealand apparel manufacturers will lose their quota into Australia if the present temporary agreement is not successfully renegotiated.

Textile and Garment Manufacturers Federation executive director John Carlyle countered that the Australians should stop "whinging" about New Zealand sales in their market, because they only amounted to 1 per cent.

From the New Zealand point of view, the issues are clear.

This country has a special quota into Australia — which can be adjusted on a global basis — whereas the Australians have a licence-on-demand situation into New Zealand.

And the categories being adjusted downward are those ones where New Zealand can compete, manufacturers say.

The Australian Confederation of Apparel Manufacturers has said it would like to see greater trade across the Tasman, both ways.

It was upset that the New Zealand Government cancelled import licences, which provided the Australians with 4 per cent of the New Zealand market.

But Carlyle explained, this was done "because imports of Australian apparel were threatening New Zealand workers' jobs and having a disruptive effect on the marketplace".

"Subject to further consultations, Government will make a decision on the level of imports which will be allowed, if any more at all," he said.

New Zealand manufacturers, apparently would like quotas both ways, to even up the situation. It is understood a proposal has been put to Government along those lines.

Meanwhile, the two groups appear to have failed to reach agreement on anything.

Local manufacturers have accused the Australians of distorting the situation with their claims that New Zealand apparel exports to Australia are four times Australian imports to New Zealand.

The most up-to-date information suggested sales each way were about even, Carlyle said.

In response to the claim that New Zealand Customs had deliberately slowed clearance of Australian apparel imports, he pointed out that this had been done where Customs had queried the true origin of goods.

"We know of instances where Asian clothing, bearing an Australian label, has been sent to New Zealand seeking access under our licence on demand arrangement for Australian goods," Carlyle said.

The problem is not new. In 1977, the lid was brought down on New Zealand's previously unrestricted access to the Australian market; since then, New Zealand has been on a quota system.

But across the Tasman, the industry for some time has been channeling its energies into fighting the Industries Assistance Commission — soon to report to the Australian Government in its future long-term plan for the clothing industry.

Industry sources here say that with that battle nearing an end, the Australians have turned their involvement to the New Zealand trade issue.

With the report imminent, the Australians warned their New Zealand counterparts that if they wanted to continue their guaranteed share of the Australian market they must work out a solution to the import problems on the other side of the Tasman. New Zealand has more to lose than Australia, they said.

But the local industry feels it is always having to make the moves.

As Carlyle pointed out, the executive directors of the Australian Confederation of Apparel Manufacturers attended a recent retailers' conference here "and didn't even bother to contact us for discussions".

And in the past the New Zealanders have put up packages, but the Australians have knocked them down — without offering counter proposals, industry sources complain.

As *NBR* went to press, there were indications that steps were being taken to finding a solution. It is understood the two groups are almost ready to talk things out.

O'Brien on business

DFC elaborates on state of play in Saudi deal

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

THE Development Finance Corporation has answered the questions raised here last week in regard to the Saudi New Zealand Capital Corporation.

In an interview with *NBR* the corporation's assistant general manager, Roger Gaskell, and public affairs manager, Richard Rudman, elaborated on the press statement announcing the joint venture with Saudi Prince Nawaf Bin Abdul Aziz, and subsequent comment from various sources.

The Capital Corporation is still to be formed. The documents signed in Los Angeles over Easter were effectively "heads of agreement" before registering a company in New Zealand. Gaskell said the DFC had in mind somewhere from two to six New Zealand participants in addition to the DFC.

He said that the reference to the DFC "underwriting" the New Zealand participation meant that the development bank would take up any shortfall in the 25 per cent to be offered to other potential local participants.

He agreed that it was theoretically possible for the DFC to finish up with 50 per cent of the capital, but strenuous efforts would be made to place the 25 per cent reserved for other New Zealand participants. He was confident that all the shares would be placed.

The capital of the Saudi New Zealand Capital Corporation will be called up in stages – avoiding the problem of having $20 million lying idle while suitable investment projects were found.

The initial statement was made at a less than ideal time, because the DFC would have preferred more concrete arrangements, including local shareholders, but rumours were circulating on the proposal, particularly among Auckland based media.

On the key question of financial gearing, Gaskell told *NBR* that the corporation would be geared conservatively, and there would be no borrowing until the $20 million equity was in place.

The partners have left open the question of the mix of capital and debt funds at particular times in the future. It will depend on the type of projects in which the corporation invested.

Risk is a factor in the "correct" mix, but in this context "risk" is expressed in terms of cash flow, or the time taken to achieve the appropriate return.

Some projects will have a faster payback period than others.

Rudman commented that New Zealand investors in major projects might have to look at longer payback periods than they have been accustomed to in the past, given the nature of the developments.

It is too early to name specific projects for the corporation. The DFC has identified some promising areas, and the only area "outlawed" is agriculture.

In reply to the question on who put the project to the prince, Gaskell outlined the sequence of events.

Prince Nawaf was invited to New Zealand last year by the Government, which considered it desirable that some projects should be put to him.

The DFC was invited to put up proposals in conjunction with other Government instrumentalities and several local companies. Some of the latter came forward with propositions.

The Saudis then asked the DFC to have further discussions, and Gaskell travelled to Queenstown to meet the prince's party.

These events took place in a relatively short period. Since then the contact has been between the Saudis and the DFC.

Gaskell emphasised that the DFC was conscious of possible variations between the needs of New Zealand investors, in terms of payback, gearing and so on, and those of the Saudis.

The DFC is not complacent about these questions, but also wants to dispel any complacency on the part of New Zealanders about the desirability of overseas interests investing here, on the grounds of our political and investment stability.

The Arabs, particularly the Saudis, are investing in selected activities in various parts of the world, including Singapore, Malaysia, and the United States, in spite of the last country's action in freezing all Iranian assets in America.

Gaskell pointed out that the OPEC surplus this year is expected, on OECD estimates, to be about $110 million, compared with previous estimates of around $70 million, and that the OPEC countries have several alternatives for investment.

Possible investments for the corporation are not confined to massive projects, which have already been estimated to cost several thousand million dollars in the 1980s. The DFC says there are many promising areas which require a much lower level of investment, but which will produce good returns later in the decade.

The specific projects, and the amounts invested, will depend on the overall approach of the Capital Corporation, and of the DFC, to investment in New Zealand.

Gaskell repeated the comment made after the press announcement, that voting control of the corporation's activities would remain in the hands of the New Zealand members.

The discussion last week with the DFC cleared up many of the points arising from the initial press statement. It is unfortunate that the necessary decision to announce the proposal left so many questions unanswered, resulting in DFC general manager, John Hunn, spending the best part of two days either on the telephone to, or being interviewed in his office by various sections of the media.

O'Brien on business

Analysing annual accounts: Ivon Watkins-Dow

IVON Watkins-Dow Ltd will run other contenders close for the best annual report presented in 1980.

The report issued last week maintains the company's excellent reporting standard, and provides the information in a readable form, particularly in notes to the accounts.

Even the type size assists understanding of the notes. This is a minor point in annual reports, but too many notes are printed in very small type. They can look like the back of an insurance policy.

IW-D's report for the year to December 31 1979 has a new feature; "A Tribute to some of our Customers". The section links usage of the group's products to 11 large companies and to the cosmetics industry.

I am open to correction (and no doubt will be corrected by readers), but this seems the first time that a local company has referred directly to its customers by name in an annual report. It is certainly the first time detailed reference has been made to so many customers.

The idea seems to be taken from American corporate practice, which is logical, given the Dow Chemical Company's 51 per cent shareholding in Ivon Watkins-Dow.

Other American reporting practices appear in the accounts. A note, "Related Party Transactions", gives the directors' other directorships, the cost of transactions with the American parent company ($13,624,342 worth of purchases, amounting to 62.8 per cent of total purchases), and transactions with other outside companies where IW-D directors are also board members of "listed officers".

The company deals with the inventory problem mentioned here in recent months. A statement which confines changes in inventories to dollar values only can be misleading in times of high inflation.

The reader is left to work out how much of the change relates to inflation, how much to a volume shift to cover higher trading, and how much to mistakes in corporate strategy which could leave a company overstocked.

IW-D says: "In order to service a higher level of product demand, the volume of inventory held has increased by 30 per cent during the year. Inventory prices have moved up by 17 per cent during the same period".

Managing director Ron Bullen provides more information in his report: "The company's strong cash flow enabled it to purchase additional stocks of raw materials and lessened the impact of increasing raw material costs. As a result of this, and the increases in the volume of production, we were able to keep price increases for our principal manufactured products lower than otherwise would have been the case".

The present level of stocks, considered with those comments, suggests that the company could have begun the current year with a price advantage over its competitors, a position which would give sales volume and profitability a good start.

The historic accounts are straightforward, with a full analysis of balance sheet figures in the notes.

The taxation breakdown covers all the main questions in that area: benefits from export and other incentives, additional depreciation, timing adjustments, a full breakdown of deferred taxes and so on.

The statement of current cost accounts is given in simple language (or as simple as possible after allowance for the complexities of the subject).

The "profit attributable to the shareholders before taxation" fell from $7 million under the historic cost convention to $4.8 million after application of CCA principles.

Taxation was applied at the historic rate, as recommended by the Society of Accountants. This practice is open to question, unless there is also a note giving an adjusted tax figure on the assumption that tax rates would change if the government accepted CCA.

The deduction of $3.2 million under each system gave IW-D $1.6 million in "profit attributable to the shareholders after taxation", compared with $3.8 million in the historic cost accounts.

The ratios for the year make impressive reading. The company earned 11.36 per cent on net sales, 56.24 cents for each 50 cents share, and 25.59 per cent on shareholders funds.

All returns were well ahead of previous years. The return on sales improved disproportionately to the increase in sales value and volume. The group was therefore much more financially efficient than in the past.

Cash flow (net profit plus depreciation) to total assets was 17 percent, a return which permitted the increase in inventory referred to earlier. It also relates to the higher dividend and the proposed bonus issue, both of which can be serviced adequately, assuming there is no major downturn in trading either this year or in 1981.

The solid cash flow allowed the company to reduce outside debt, to finance a higher level of activity without resort to borrowed funds, and to buy large holdings in Canterbury Timber Products and Henderson and Pollard.

An analysis of shareholdings in the report raises a point which the company could consider in future.

All annual meetings are held in New Plymouth, the group's corporate headquarters. But 24.1 per cent of the shareholding (almost half the New Zealand domiciled shares) are located in Wellington province, and 10.8 per cent in Auckland. Annual meetings outside New Plymouth would give those shareholders a better chance to participate.

Treasury official tries to untangle image of state accounting system

CRITICISM of taxes, and how the Government spends them, is a favourite New Zealand pastime. The criticism probably increases in direct proportion to distance from the Beehive and the State departments in Wellington.

Few people in Wellington understand the system, so the rest of the country may be even less knowledgeable. They should read *Government Accounting in New Zealand*, by Treasury official, David A Preston, published by the Government Printer.

In the words of Secretary to the Treasury, Noel Lough's foreword, "it provides a clear and comprehensive description of how the system works, and should meet the requirements of the general reader and of those with a more specialised interest".

"Clear and comprehensive" it is. So clear and comprehensive that it may confirm outsiders' worst suspicions of government and public service activities.

Preston is not concerned whether the system should, or could, be changed. His brief is description of what happens, and how it happens.

The approach is summed up in the introduction: "In modern New Zealand the role of the Government sector is a major influence on our economy and way of life. Central Government expenditure and transfers represent over 40 per cent of gross national product. Government policies affect, in varying degrees, the activities of virtually all of the private sector. While most New Zealanders, however, have clear opinions on what the Government ought or ought not to do, few have a very clear understanding of how the financial system actually operates. This book is intended to explain the structure and operations.

The "explanation" throws up three important points, for good or ill.

The Treasury's power in the system is the first. Preston identifies of six "control departments": The Treasury, State Services Commission, Ministry of Works and Development, "control functions in other departments" (the departmental motor vehicles committee in the Ministry of Transport and the Government Printer and National Library Service in respect of stationery and books are given as examples), the Audit Office, and the Reserve Bank.

But Treasury is tops. Preston gives four factors for its "predominance".

Treasury is the department of the Minister of Finance (we all know what that means in 1980), and the Secretary to the Treasury chairs the officials economic committee.

A Treasury report is required to accompany all departmental proposals with financial implications being presented to Cabinet or Cabinet committees. (Those reports go further; the recent Wilson report on travel expenses for example, was also subject to a Treasury report, although that occurred after publication of Preston's book).

Treasury "administers and co-ordinates the Budgetary process and in so doing advises the Minister of Finance on fiscal policy options". And Treasury administers the Government accounting system.

The second point emerging from the book is the complex "budgetary process", which takes up 25 per cent of the text.

Preston sets out a "budget cycle", from expenditure projections of the Committee of Officials on Public Expenditure (COPE) to annual accounts and audit report of departments. The cycle takes two years.

If anyone thinks they can plug into the system a few weeks before Budget night they can forget it. The 1980 Budget preparations started last July, and are now well advanced. They have reached (on Preston's timetable) the stage where the Minister of Finance has approved departmental estimates, and the allocations have been advised to departments.

The departments are submitting their final draft estimates to Treasury now. "These form the basis for the Budget expenditure proposals and the formal 'Estimates of Expenditure' tabled in Parliament".

Departmental annual reports and Audit Office comment arising from a process which started in July, 1979, will be presented to Parliament between May/June and October/November, 1981.

The outsider, particularly in the private sector, may shudder at the third point which emerges from the book. Committees, committees, and more committees form the structure of preparing Budgets, seeking approvals for expenditure at all stages of the process, and running the control and accounting functions.

The structure of the Government process is obviously different from a major private sector corporation, but the reader of *Government Accounting in New Zealand* is left with a question — whether the system, irrespective of how it operates, is the most efficient?

That is outside Preston's scope. It is important to the citizen. The Government and its officers must control all aspects of revenue raising and expenditure. Preston's analysis suggests that the process generates heavy cost.

On the other hand, the Government's system can be less than ideal, as shown by reports from the Auditor-General which often locked the door when the horse is well down the track.

Government Accounting in New Zealand, by David A Preston, Government Printer, 1980, price unknown, 101 pages.

LCA seeks disclosure of beneficial ownership

THE recently formed Listed Companies Association took the lid off the darker aspects of equity investment last week in submissions in the Securities Commission's hearing into the law and practice relating to nominee shareholdings.

In the course of arguing it's case for disclosure of all beneficial interests in shareholdings irrespective of the percentage held, the association set out several recent case histories involving listed, or non-listed public companies.

The companies are disguised by code numbers, but reasonable detective work can identify them. We leave that exercise to the reader's ingenuity, after reading the facts.

Company 001: In reply to the question "has there been any significant delay between purchase and presentation of transfers for registration", the company said, "yes, for two years there was a consistent lag of registered transfers of 25 per cent below reported sales – classic example August sales of approximately one million shares presented in December".

The company presented a sheet of registrations showing reported sales and actual registrations for the period up to the date of receipt of a takeover notice (September) and withdrawal of takeover notice (December).

Currently a substantial number of shares in the company are held by nominees. One nominee company holds approximately 9 per cent of the issued capital of the company.

Four sharebroker nominee companies, have substantial holdings in the company. A partner in a sharebrokers' firm holds just under 1 per cent of the capital, and his wife also holds just under 1 per cent.

Two employees in the firm hold 1.75 per cent of the capital, and the company discovered the links between them and the sharebroker purely by chance.

The total holding of the sharebroker, his wife, and the employee and his wife is approximately 3.75 per cent of the capital, having a current market value of about $950,000. Questions as to the beneficial ownership have been asked in terms of the Stock Exchange listing requirements and the Articles of Association.

The questions, the company says, have "proved of no material assistance in discovering the beneficial ownership" because:

(1) the partner in the brokers' firm said he had not aggregated 1 per cent of the capital and therefore did not have to disclose beneficial ownership and:

(2) the partner's wife and the employee and his wife had not answered the questions as to the date that particulars were received by the Listed Companies Association because the six weeks within which answers are to be provided had not expired.

It is noted that in this particular case the takeover has been declared unconditional so the answers will be of no value when received.

It is suspected, but not proven, that the 3.75 per cent held by the four persons are beneficially owned by the unknown owner of the 9 per cent held by the nominee company referred to earlier.

Company 002: Between December 16, 1978 and May 29, 1979 correspondence was conducted between a Wellington broker and a company regarding the transfer of shares into company 002. The broker eventually said there was no such company, and that the shares should be registered in the name of a well known nominee company. The transfer was registered in that name.

A search at the companies office disclosed that company 002 was incorporated over 18 months earlier.

The capital was $100, and the shareholders were an investment company (99 shares) and a company director. There was a debenture on the file securing a loan from the Singapore office of Barclays Bank International Bank Ltd for $US2,000,000.

After alteration to the articles of the listed company, the nominee company provided a declaration showing that the beneficial ownership of a large proportion of the shares held in the listed company were beneficially owned by company 002.

Company 003: An unlisted public company. The Listed Companies Association says that a company interested in obtaining control of company 003 approached three substantial shareholders in company 003 who held 25.95 per cent of the issued company of company 003.

The three shareholders, and the company wishing to acquire, entered into a Deed of Trust under which the beneficial ownership and voting control of the shares passed. the three holders agreed to ... instructed. The move ... the first step in a ... offer.

The first acquis... shares occurred two ... before an offer was ... counter offer came from third party and the ... offer was successful.

Company 005: During 77, and 78, 2.9 million ... ary shares (24.9 per cent company's capital) ... quired by one ... through one sharebroker ... the shares were acquired ... names of individual ... company nominees ... majority of the sales ... reported to the Stock Exchange Association.

Transfers for a "sig... number of shares ... unregistered for ... months, and prese... registration just pas... 1978 annual general ... The company did ... tain the true owner ... 24.9 per cent of the ... under February 19...

The matter has ... reported to the St... change Association ... under investigation.

And so on and ... easy to see why ... Companies Association ... full disclosure of the ... ownership of every ... shares.

Kinleith hits printers

THE Kinleith strike has left members of the printing industry short of raw material supplies but employers see suspensions as "a last-ditch measure to avoid financial disaster," Printing Industries Federation president Buster Dawes told the federation's annual conference.

Describing the stoppage as an "industrial shambles", Dawes pointed out that from the time Kinleith came onstream again it would be three months before a supply of the complete range of qualities would be fed into the distribution system.

"Some interim rel... result from the arrival ... ported papers to repl... of the lost production" ... said.

But such purchase ... difficult to negotiate ... existing sellers market ... of New Zealand not be... traditional customers.

Prices could be well ... those paid for the ... equivalent, he warned.

Because of the back ... production, the rest of ... was expected to bring ... ning shortages and some ... of allocation based ... previous demand ... Dawes said.

Human rights create turbulence in employment

by Jack Hodder

THE Human Rights Commission has created some turbulence with its recent announcements of positive action against all-male mutton slaughtering in Southland and Christian-only garage service in Christchurch.

There is a certain irony in the protests from some backwood branches of the National Party following these announcements. The HRC, it may be remembered, is the showpiece of the National Party's justice policy.

The HRC's moves are a sign that anti-discrimination laws do bite. Such laws may seem more appropriate to, say, the American context, but a body of New Zealand statute law has built up over the past decade. These laws have major implications for society generally but will be particularly significant in the employment field.

The two major statutes in this area are the Race Relations Act 1971 (aimed at discrimination on grounds of colour, race, or ethnic or national origins) and the Human Rights Commission Act 1977 (aimed at discrimination on grounds of sex, marital status, or religious or ethical belief).

Both Acts have a provision prohibiting employers from refusing to hire qualified persons, refusing to offer equal training and opportunities or dismissing employees by reason of such grounds.

The 1971 act establishes the offices of Race Relations Conciliator (currently held by Mr E Te R Tauroa and Deputy RRC (Mr K H Mason, DCJ). The 1977 act established the HRC itself (comprising the Chief Human Rights Commissioner, Mr P J Downey, the Chief Ombudsman, the Race Relations Conciliator, Miss R M McBride and Miss M M Hutchison) and the Equal Opportunities Tribunal (comprising the chairman, Mr J H Wallace QC, and any two members of a panel of 10 appointed in 1978 by the Minister of Justice).

The enforcement provisions of the 1977 act contemplate that the HRC will investigate a complaint and, if satisfied that the act has been breached, will seek a solution by settlement with some assurances as to future conduct.

If settlement and assurances are not forthcoming, the HRC will bring civil proceedings against the person complained of before the Equal Opportunities Tribunal. That is the current state of play in the Southland slaughtering and Christchurch Christian garage cases.

The tribunal will generally sit in public and is empowered to grant a wide range of remedies: damages (the HRC will seek some $900 for loss of earnings and $800 for injured feelings for the women in the Southland case); mandatory injunctions; and declarations.

Reasons for a decision must be given and there is a right of appeal to the Administrative Division of the High Court (where a judge will be joined by two persons from the tribunal panel).

In its 1979 annual report, the HRC stated that the taking of proceedings before the tribunal was the remedy of last resort. But it also stated that its empowering legislation "envisages and requires profound social change".

Overseas experience, particularly that of the United States, tells us that such change really involves two steps: the elimination of present discrimination; and the redressing of imbalances resulting from past discrimination – "affirmative action" in American legal jargon.

New Zealand has yet to move in the direction of affirmative action. But both the 1971 and 1977 acts recogniser that reverse discrimination may be lawful if done "in good faith for the purpose of assisting or advancing particular persons or groups of persons or persons of a particular colour, race, or ethnic or national origin (who) may reasonably be supposed to need assistance or advancement in order to achieve an equal place with other members of the community".

Such provisions give no positive mandate to the HRC or the RRC but they will enable the courts here to avoid the difficult cases which have confronted the American courts. The best known of these cases are *Bakke* (where 16 out of 100 medical school admission places were set aside for non-whites) and *Weber* (where 50 per cent of places in a company's training programme where reserved for blacks); the United States Supreme Court struck down the *Bakke* scheme as mathematically crude but upheld the *Weber* scheme – both in badly split decisions.

It seems likely that, with an increasing level of unemployment and a disproportionate impact on the Maori workforce, demands for affirmative action in employment will grow. Already there is some recognition that Maoris and Polynesians are grossly under-represented in the professions.

The Otago Medical School has a quota system for Maori and Polynesian students. Other professions, not least the legal profession, which has had the benefit of the warnings in the British Royal Commission on Legal Services report, may feel obliged to follow suit.

New Zealand employers for the present, will need to be conscious of discrimination on the grounds of sex, religion and race.

In this context, "discrimination" need not imply conscious acts by the employer. The HRC might decide to adopt the American approach – that, in the absence of good explanations, non-discriminatory employment practices will result in a workplace more or less representative of the racial and ethnic population in the surrounding community.

For the future, employers here may be warned that the American experience suggests that legislation to protect the position of the aged and the handicapped is a real possibility.

The United States Age Discrimination in Employment Act, for example, requires that age must not be a determining factor in hiring or firing an employee and prohibits arbitrary age-based classifications.

Such a provision is of major importance as more and more people are reluctantly retired at earlier ages.

Age discrimination does not feature in New Zealand law. We may not be able to say the same after 1982. That is the year recommended by last year's committee reviewing equal pay implementation for a further review of the Equal Pay Act 1972 and its possible incorporation in the Human Rights Commission Act (along with the Government Service Equal Pay Act 1960).

There is no obvious point in keeping the 1971 and 1977 Acts separate and the final result may be a consolidated and extremely potent anti-discrimination statute: the Discrimination Act 1984?

Trustee banks take up arms in credit card battle

THE Cinderella of the banking scene – the trustee savings banks – are about to step into the credit card marketing war.

The actual form of the credit card is still being studied after extensive market research.

But the newly-elected president of the Associated Trustee Savings Banks, Ian Howell, said the credit package should appeal to the average New Zealander, who makes up the backbone of the banks' customers.

Howell, who is better known as the executive director of the Canterbury Manufacturers' Association, takes over the reins of the trustee banks interests at a time when competition in the financial market has never been hotter.

"And it's likely to become even more intense in the next decade," he said.

Howell's rise to the top comes after a relatively brief association with the trustee banks movement, which is the closest the country has to a community-based financial enterprise.

He was appointed to the board of the Canterbury Savings Bank five years ago and within two years was president, a move coinciding with the lifting of interest rate controls in August 1977.

Many thought the trustee banks, with their history of political patronage, might founder through tougher competition despite their Government guarantee.

But most have thrived in the freer market and through seizing the opportunities of greater independence.

The banks have been given some reduction in Government stock ratios and have been aggressive in their marketing of new customer services and lending policies.

But Howell said not enough has been done to allow the banks to realise their full community potential.

"We want a more equitable treatment and the removal of anomalies and distortions in monetary and fiscal policy," he said. "We particularly would like a standardisation of the differing requirements for investment in Government securities, which are at present very much to our disadvantage."

Howell said the trustee banks are more efficient than their rivals despite their kind of business, which has many transactions in individual accounts.

"Trustee savings banks' margins are between 3 and 4 per cent compared with 6 to 7 per cent for some large finance companies, including those with the advantage of non-taxable building societies as part of their operations," Howell said.

The banks profits are taxable and a proportion is paid into community grants ($852,350 in 1979 from the 12 banks, representing about 10 per cent of tax-paid profits).

One sore point is the level of Government securities the trustee banks have to hold compared with the finance companies (and their tax-free building societies).

Trustee banks have to put 39 per cent of their deposits in Government securities, compared with 22.5 per cent for finance houses and the target of 15 per cent building societies will eventually have to meet.

Of the total $1600 million held in 2.3 million accounts by the trustee banks, more than $500 million goes into Government coffers.

The rest is made up of nearly $700 million in mortgages and more than $63 million in local authority stock.

Howell advocates a rewriting of the Trustee Savings Bank Act to bring it into line with 1980 conditions.

He especially wants to see a greater role for professional management at the b... level.

Howell said the time ... passed when the trustee ... need close Government ... trol, and they must be ... position to compete fo... other institutions.

He points to ... developments – the ... card, cheque accoun... sonal loans and insura... which are all accepted ... banks customers.

The next step will be ... credit facility, which ... trustee banks even more ... against their bigger sis...

Bonus mortgage repayments open for exploitation

by Lani D Hunter

THE traditional practice of charging an extra quarter's interest on the early repayment of a mortgage has come under heavy fire.

Critics claim that the bonus interest, originally designed to offset any inconvenience or delay in re-investment, is unfair because funds can be immediately placed at equal if not better rates.

They also say the practice leads to dishonesty by solicitors.

Auckland property consultant Oliver Newland describes it as a growing racket and a rip off.

But the allegations have raised the hackles of the New Zealand Law Society and the Auckland Law Society.

The NZLS says it wants to check out the allegations to determine if in fact rackets are being worked or whether they are merely "figments of the imaginations" of the accusers.

A spokesman said it had called for specific instances of "rip-off" schemes, but no evidence had been put foreward.

The society accepts that no profession is free from problems ... "even property developers have been known to have the odd difficulty".

But without a case in point there was nothing it could do, the spokesman said.

On the question of bonus interest, Newland said that a borrower should not have to pay extra interest if the mortgagee is able to re-invest at equal or better rates elsewhere.

Alternatively he suggests if someone pays back the loan early they should ha... same rights as under ... where they can assig... interest in that ... mortgage) to another ...

He said that a sol... full control of a de... may sometimes hol... interest into his ow... He could do that ... without the client ...

Another trick ... said, was when ... knew a mortgage ... repaid – specially ... contributory mort... day or two before ... come in. He put ... money into the ... collected the bonu... and then took it out...

Newland said he ... willing to name spe... stances of such malp... although the Law Soci... asked him to do so.

He said people ha... phoned him with infor... and he had his own ... be a major exercise ... body co-operating to ... the facts because ... volved were far too ... about their activities.

Newland said the ... course was to publicis... activities and bring ... pressure to bear.

The general manag... Allied Mortgage, J G ... tosh said that bonus pa... for premature repaym... a traditional feature.

Consolidation of buying to counter inflation

by Belinda Gillespie

INFLATIONARY times put a two-way squeeze on the retailer. On one side, the supplier wants more for his goods, while on the other the consumer wants to pay less.

Inflation's grip is inspiring several trends in the trade, Michael O'Connor told retailers the other day.

O'Connor is a former chief executive of the American Supermarkets Institute, (reputedly one of the most progressive retail associations in the world) and currently a consultant to the Coca Cola Company.

The consolidation of buying under fewer major organisations is a world-wide move, O'Connor said, and the bigger store is becoming universal.

In Brazil, for example, 2 per cent of the stores sell 50 per cent of the branded merchandise and five chains do most of the buying.

Likewise in Britain, five retailers account for over 50 per cent of the food volume and the two biggest, Sainsbury and Tesco, share more than one quarter of total sales.

The big companies were inevitable, according to O'Connor and the laws against them were "like rocks in the stream". Size was essential to provide the economies of scale which were the only way to keep prices down, he said.

Conditions for American retailers are gloomy. The consumer price index is rising at its fastest rate since the end of the year – productivity is at its lowest since that time – consumer purchasing power is declining – and the consumer debt has reached an all time high.

The consumer has given up trying to save, but he is "still convinced he can hack it" by cutting down his spending on fixed variables such as clothes and food.

The mass of retailing was "stagnant", said O'Connor, and none of the indicators were showing improvement.

The seven top retail companies' billion dollar net income figures, when adjusted for inflation, showed they were all in the red, and were in fact spending their assets.

Any money made was on real estate, O'Connor said, and the companies were staying in business in the belief that "the show must go on" rather than in the hope of profit.

The trend to automation in retailing is accelerating – by the end of 1979, 1500 Universal Product Code scanners had been installed, with a further 1500 to go in this year, and a two year waiting list.

Consumer resistance to UPC (where all products are coded rather than price-tagged and scanned by a laser system instead of passed by the conventional cash-register) had been far less than expected.

Customers liked "the tape that talked" simply on the basis of the more detailed information provided on the docket. Retailers liked it because it told them more about their merchandise.

But automation requires a bright team, good management, and a new level of sophistication in communications and training if its benefits are to be fully realised.

Automation . . . trend is accelerating

European chains, which have successfully kept up profits, are moving into the American food retailing scene.

Gubny – "Britain gave him to you, you gave him to us, and we'd be glad to give him back to you" – has built a 25,000 square metre warehouse and is now constructing stores.

French and German competitors are also in the market.

Leadership was fragile in food retailing, O'Connor said.

Looking back to 1909, the then five top British stores do not exist now. In the United States, of the 15 leaders 10 years back, five have remained static or lost ground, five have improved their position, and five have disappeared.

The lesson to be learnt was that customer understanding has to be improved, O'Connor said. "Most managers are working on old information – smart managers use research."

Management of the retailer's three basic assets – "the inventory, people and space" – has to become more professional.

Staff, for example, are no longer satisfied with good pay, pension schemes and vacations, which are now universally provided.

"People want to be part of the group, they want a share in the decision-making process," he said.

As companies get bigger, O'Connor said, the trend was to pull authority into centralised headquarters. But business consultants, computers, and the paraphenalia of centralised control "wrecks retailing".

The French invented the "bon marché" – the department store, where authority was delegated so that even minor employees had a degree of responsibility – a concept, O'Connor said, which remained viable in today's retailing scene.

Trade unionism has had its day, O'Connor said.

While union conflict remained a world-wide problem, "governments now do the job the unions set out to do".

"There are fewer unionists in the United States than there were 10 years ago – unions are run by old bosses who are out of touch."

Nevertheless, O'Connor said, it was still possible to run a successful business even though there were "wall-to-wall unions" – as long as employees are "turned on" – treated like human beings and rewarded on the basis of achievement.

Consumers boost economy

HEAVY borrowing by consumers to finance a high level of purchases has been cited as a major reason the United States' economy kept growing last year despite tightened monetary and fiscal policies.

In 1979, installment credit expanded 13 percent from the 1978 year-end total outstanding.

The Federal Reserve reports that consumer credit grew by $1370 million in January, or at an annual rate of 5.3 per cent – the slowest pace since early 1975.

Upstart weekly knocked *Star's* sales sparkle

by Hugh Rennie

THE number of daily newspapers in this country fell again the other day when the *Thames Star* became twice-weekly.

The *Star* — published five times a week — was the smallest daily in the INL group, with a paid circulation of 2576 at last audit.

Papers published five times a week are, somewhat inaccurately, regarded in New Zealand as dailies, like the 9012 ABC circulation *Marlborough Express*, plus small papers in Westport, Waimate and Waipukurau. Including these four, New Zealand now has 35 dailies.

The change for the *Star* follows a year of competition between the daily and an upstart weekly, the *Hauraki Herald*, started in March 1979 by two former *Star* staffers.

Published offset, the *Herald* was an immediate success. It quickly reached 32 to 40 page issues, and a circulation of 12,000 throughout the Thames Valley and Coromandel area. It outgrew its contract printers at Huntly, and moved to Don Kale's plant at Tauranga.

Offset printing — and free circulation — have been two keys to the *Herald's* success. Launched in one of the last areas of letterpress newspapers, the *Herald* competed not only with the *Star*, but with the *Thames Valley Gazette* (Paeroa) and *Waihi Gazette* — letterpress papers in which INL once held a 50 per cent interest.

In the face of the competition, the three older papers changed to offset in early 1980. The *Thames Star*, always a lively and well-presented paper, held its paid sales audit despite the competition, and installed a two-unit offset in early 1980 (a long overdue move which INL was inexplicably slow to undertake).

Now the *Herald* will be produced in Thames, and published on Saturdays to complement the twice-a-week *Star*.

Herald editor/managing director John Woods will head the new company, Hauraki Publishers, in which he and INL will each have a 50 per cent interest.

In March the company was seeking further journalistic staff — an essential move for the *Herald* which in 1979 at times seemed to have difficulty in finding enough text to keep the advertisements apart.

Commercial printing will remain the preserve of the *Thames Star*, which will continue to be managed by Roy Tyack, a manager and printer held in high respect in the industry.

The change marks a further reduction in INL's once dominant position in newspaper publishing in the area. Over recent years it has sold out of the Paeroa papers, sold its Taumarunui paper to local ownership, and opted for partial ownership of papers in Morrinsville and Thames following strong local competition by independents with whom INL has merged in each case.

The change shows again the difficulties which face the country's smaller papers when a free circulation paper faces a paid circulation paper. The last provincial daily to do so before the *Star* — *Hawera Star* — acknowledged in 1976 that it had to convert to a free circulation paper to meet similar competition.

The *Star* converted from a 3185 ABC letterpress daily to a three-times-a-week free paper. A further re-launch as an offset tabloid was required in late 1979, following difficulties with its letterpress broadsheet format.

Free offset papers were also a factor in the final demise of Dunedin's *Evening Star* in 1979.

Whether the loss of any of these dailies significantly affects daily news services is doubtful. In the only case for which comparative figures are so far available, circulations of the other dailies circulating in South Taranaki hardly moved after the *Hawera Star's* abandonment of daily coverage.

In Dunedin, the *Christchurch Star* began to market an early edition.

With the odd situation that all major dailies south of Christchurch are morning papers (the only evenings are small papers in Ashburton, Waimate, Oamaru and Gore), the *Star* is developing as the South Island's evening paper. An edition printed in Oamaru, with strong Dunedin content and advertising is projected to start in several months.

Certainly this has been the hope of some *Star* staffers in Christchurch. *NZ News*, however, seems committed to the more realistic view that an evening daily must concentrate on its immediate market. Transport delays quickly destroy the topicality of any paper competing with broadcast news services in more distant districts.

Focus fixed on supplying growing film industry

by Rae Mazengarb

THE local film industry — which has battled for years despite acute shortage of funds and ready equipment — seems set for a more assured future, at least in securing production gear.

The incorporation in Wellington of Barry Cine Sales (NZ) Ltd will mean that a wide range of products — which previously had to be imported on a project-by-project basis — will be readily available for local film production.

The company will also manufacture a number of related products here, based on their successful development by the Australian partner in the venture.

These products also have market potential in medical and scientific areas, and it is expected there will be flow-on of opportunity in exports.

Barry Cine Sales, with paid-up capital of $10,000, is jointly owned by the film equipment hiring company Film Facilities Ltd and Australian partner John Barry Cine Group Pty Ltd.

According to Sydney-based John Barry, who was here for the company's official launching, the need for this type of facility has come about because of the increase in feature film production here.

There is a ready market for supplies of highly specialised equipment — cameras, lenses, specialised batteries, editing and lighting equipment and so on.

The new company will stock imported goods from the United States, West Germany, France and Britain.

The money earned from sales would be re-invested in New Zealand, Barry said.

Barry's Australian group of companies has supplied the local market in the past with the bulk of its film requirements.

But as one producer pointed out, the set-up was inconvenient if equipment was required in a hurry half-way through a production. There were delays getting it here, and the communications involved and freight costs were burdens on already tight budgets.

The new company would provide just one further service which would enable the industry to maintain and develop its professionalism, he said.

Barry admits that import licencing will be a problem. But he hopes that because the imports are essential professional equipment and in turn will produce saleable commodities overseas, the problems will not be too great.

Besides, many larger clients have their own licences, he said.

The New Zealand partner in the venture, Film Facilities, will handle the rental side of the business.

Set up in 1977 by Graeme Cowley and Nigel Hutchinson, (though it had in fact been in the rental business since 1973) this company has been among the clients of the John Barry Group.

It could buy the highly specialised and very expensive equipment required for filming and by hiring it out to film companies could ensure maximum use of the gear. For the producers it has meant lower overheads and the availability of the best equipment only for the time it has been required.

This has led to the streamlining of the independent industry, said Cowley.

Film Facilities and John Barry first discussed setting up a company here about 18 months ago.

Neither party is ready to anticipate the level of potential sales, but they are highly optimistic.

In the long term the company hopes to manufacture various equipment here which the Australian side has successfully developed and already exports to other markets.

One-off custom-built aluminium fitted cases for cameras and other precision instruments, for example, have been developed by group member Stronghold Equipment Containers Co, and Barry Cine Sales (NZ) is already having them made here. The work is sub-contracted out, but if the market looks good, the new company will set up its own factory.

The company hopes to make packs for lighting equipment, adopting the concept of the Australian-made Barry Packs.

It will also supply batteries from the United States for the aircraft industry, plus film and television make-up.

Melbourne-born Barry has been in the film sales and rental business for 15 years, since — as a cameraman — he recognised a need for this type of operation in Australia.

He is now turning over around $4 million in sales each year (the rental side is much smaller, he admits), and has a staff of 50.

This is his first joint venture with an overseas company.

The new company initially will employ a staff of about five New Zealanders.

Although he and his wife are directors of the new operation, Barry says he won't be attending regular board meetings.

Movie-making bonanza as funds flow in face of public scepticism

ABOUT 20 feature films were made in New Zealand between 1910 and 1940, when there were many independent film-makers working in the new-found medium.

Just three feature films were produced in the next 30 years.

But since the mid-70s, the industry has taken off again, with three film-makers putting three feature films on the screen in quick succession: "Sleeping Dogs", "Solo", and "Off the Edge". And as Film Societies Federation retiring president David Gascoigne told the organisation's annual conference, this took a degree of commitment "bordering on the fanatical", and an ability to scrape together the finance in the face of public scepticism.

Since then the industry has not looked back.

In October 1978 the New Zealand Film Commission was set up. Funding has been modest — just $500,000 a year — but the injection of funds has had its effect.

A number of films have been helped — "A State of Siege", "Skin Deep", "Angel Mine", "Middle Age Spread" and "Sons for the Return Home", for example.

Still in production are "Nut Case", "Goodbye Pork Pie", "Hunchin' Down the Road", "Beyond Reasonable Doubt".

Add to that list the many shorts or documentaries finished or still in the pipeline, and the industry is far from the bleak business it was just a few years ago.

The commission's task is to encourage and assist, including encouraging private investors to invest. It will also fund up to 50 per cent of the production costs of any film it decides to assist.

The productions, despite the handicap of low budgets by overseas' standards, have become steadily more ambitious and more varied.

"Movie-making, in any country, is a risky business. But I get the feeling that the tenacity and creativity of the local industry is starting to have its reward. It's starting to look like an industry which does have some kind of future . . ." Gascoigne said.

He points to the economic and employment spin-off from local film production.

Film-making is a multi-discipline effort, involving a multitude of talents.

Films are fast becoming saleable commodities overseas, earning the country export dollars while substituting for some of the lesser rated overseas' products.

As one producer said: "We're off the ground now. . .

"There may still be a shortage of money, but we have the equipment, the expertise and a lot of people prepared to hang on in there."

Books

Reader's Digest enters battle

by Gordon McLauchlan

WHEN an international publishing giant like Reader's Digest opens a New Zealand book list, other book publishers pale a bit because of the heavy-weight competition and booksellers look askance because of the American company's penchant for mail order selling.

And sophisticated readers may shrug in anticipation of a once-over-lightly treatment. That would be farthest from the mark. "The Family Guide to New Zealand Law" is a superb layman's law book, written in everyday language that anyone of average intelligence can understand, and supervised by Auckland legal luminary Professor J F Northey, the consulting editor.

The text was prepared by 18 eminent New Zealand legal eagles (mostly from Auckland and Victoria Universities), and chewed into palatable bits by a team of Reader's Digest editors.

The launch was undertaken by no less a personage than Sir John Marshall who was fullsome in his recommendation of the book.

So the sophisticated reader can be assured that this 576-page tome is superb, a reference book that will find its way into offices and the more affluent homes (at $33).

Publisher's fears may be allayed by the very specialised nature of the publishing work involved, and the bookseller may do quite well enough out of it to be mollified too.

Obscenity and beauty

OBSCENITY, like beauty, is in the whats-its-name of the whomsoever; so "Make it Happy", the Penguin handbook on sex for young people, is simultaneously indecent in the hands of persons under the age of 16 (in New Zealand), and a winner of the Times Educational Supplement Senior Information Book Award (in Britain).

The British prize was announced recently.

Compared with an earlier New Zealand version of the same sort of thing, "Down Under the Plum Tree", this British book is tasteful, good-humoured, and about as raunchy in tone as "The Old Woman Who Lived in a Shoe" and who wouldn't have had so many children she didn't know what to do with if she'd read "Make it Happy" at the right age.

The Times Educational Supplement judges called it "witty upon occasions, wholesome, classless, sometimes moving in its simplicity, gentle and honest in its intentions".

Had they read the same book that was banned for pre-sixteens here after the Justice Department opposed its open release?

Apparently.

Generally speaking, the book was praised by reviewers in this country and the censorship move came as a major surprise to booksellers and the Book Publishers' Association.

One joke among book scene observers is that the title was wrong for New Zealand. "Make It Sad" would not have suggested that the children might get to like it.

Both the Book Publishers' Association and the Booksellers' Association have voted funds to Penguin to help with the cost of testing the ruling of the Indecent Publications Tribunal in the High Court in Wellington before three judges. A hearing date is expected to be fixed soon.

Prize money increases

NOT many New Zealand writers will have tax problems this year, but none are likely to be found tapping out masterpieces in a garret either.

Money available in the form of book prizes, scholarships in letters (at universities), literary fund grants, and the authors' fund (based on the number of an author's books in public libraries) will total many thousands of dollars in 1980.

On a population basis, the prizes and handouts must be as high as anywhere in the world.

The biggest prize is for first place in the James Wattie Book of the year competition: $4000; second gets $2500; and third, $1000.

The Wattie award (someone once quipped, it's money for jam) is an all-rounder. That is, for the best New Zealand book, considering its literary quality, design, editing, and its impact on the community.

The author gets the money regardless of the score of editing and design.

In money terms, the Wattie award is now one of the biggest literary prizes in the Commonwealth. Judges this year are: Gordon McLauchlan as convener; Steven Sedley, a Lower Hutt bookseller; and Professor John Roberts of Victoria University.

The National Book Awards, funded by the New Zealand Literary Fund and the Queen Elizabeth II Arts Council, have been increased in value to $3000 for each category: fiction, non-fiction and poetry.

PEN has nominated Professor James Bertram (poetry), Professor Christian Stead (fiction) and Professor Keith Sinclair (non-fiction) as the judges this year.

The literary fund and arts council have also for the first time sponsored a prize to recognise the combined work of writers, illustrators, designers, publishers, printers, and bookbinders.

It will be worth $2000 this year, and the literary fund and arts council are looking for a third sponsor to boost the prize by another $1000 to match the other National Book Awards.

Publishers A H and A W Reed have established a non-fiction annual book award worth $5000.

Their altruism is tempered by commercial shrewdness because the prize will be paid for the best of submitted manuscripts and is therefore tempting authors to offer their work for publication by Reed on the chance they will gain the $5000 prize as well as normal publication royalties.

It is similar to an Australian award sponsored by publishers Angus and Robertson.

So the value of major literary awards is $21,500.

The authors' fund alone won't keep many writers in butter and sugar at present prices, but it has given a reasonable underpinning to the income of writers like Frank Sargeson who palely tapped out his masterpieces in a humble cottage for long enough and gave some guts to a fairly insubstantial body of New Zealand writing.

The fund also helps authors like Maurice Gee and Maurice Shadbolt, each with enough highly respectable work to be well represented in libraries.

So the *PEN Gazette*, the writers' rather clubby newspaper, reads a bit like a Golden Kiwi results release these days with awards and scholarships and handouts on almost every page.

There are criticisms the money and prizes are too moved round among a group who form a writers' establishment, that the ones who get it need it least; and it is sure that an unknown beginner is going to have to make his mark initially the hard way – working at night after work, or living at subsistence level.

But this kind of patronage which is developing may increase the chance of a Maurice Gee being able to stay at full-time writing long enough to produce a "Plumb".

Hollowood

"Take more money than you need. Then you'll experience the thrill of a favourable exchange rate on your return to England."

Office equipment

Office products group seeks sales tax revision

by Peter Isaac

OFFICE equipment importers are now redoubling their efforts to extricate themselves from the luxury goods tax bracket.

Punitive taxes mean that products like typewriters and copiers generally cost nearly twice as much here as in the country of manufacture.

Office equipment is levied at a flat rate of 40 per cent sales tax. This is on top of an import duty of between 5 and 10 per cent.

The sales tax is assessed after the duty has been added.

"Office equipment is very much a part of the production process," said Terrence Currie, secretary of the Computer and Office Products Federation.

The objective of the trade 10 per cent – the same that is paid on machine tools, for example.

The sudden jump in sales tax had a lot to do with the mass use of the hand-held electronic calculator, which developed into a craze rather like disco music or the hula hoop, he said.

But punitive tax on the calculators "spilled over" into the entire office products marketplace, Currie said.

At one stage, the office equipment importer, in addition to duty and sales tax, had to pay a third levy in the form of a stiff import retention deposit.

But this additional levy has now disappeared.

The 40 per cent sales tax is paid on the New Zealand wholesale price. Customs will sometimes make its own assessment, based on the current domestic value of the product,

Neale Alexandar . . . "ranked with hair clips."

plus duty, plus an assumed 25 per cent margin.

The current domestic value (CDV) yardstick is a contentious issue in itself. It is the wholesale price in the country of export. Some importers believe that the CDV assessment tacks a true rate of 50 per cent sales tax on products.

The large taxation content of office equipment in New Zealand becomes obvious when overseas companies are involved with administration budgets for their branches here.

"Australian companies find it hard to believe that the same office equipment in Sydney costing $10,000 will, in fact, cost $17,000 here," said Neale Alexander, managing director of Armstrong and Springhall and vice president of the federation.

"As far as tax is concerned, we are ranked with hair clips, and deodorants," he said.

The office equipment people's main task appears to be that of extricating themselves from the same bracket as the luxury goods.

Now that shoppers have gone back to use old cigarette packs or whatever, for making their supermarket calculations, office equipment has largely returned to the office.

"Nobody is over-importing, the industry is far too capital intensive. Firms cannot afford to bring in office equipment on a speculative off chance that someone might buy it," Currie said.

Like the recording industry, which is also struggling to free itself from the sticky luxury tax category, the office equipment companies are now fighting the Government's announced trend away from PAYE into indirect tax, for example, sales tax.

"The tax is obviously a revenue collecting method," Currie said, "it has nothing to do with stemming imports."

The office equipment industry, as a whole, however, finds its arguments with the Government conducted on slippery ground. This is because, in effect, the industry is arguing with its best customer.

All the indications point to the Government buying one third of general office equipment, such as typewriters and copiers. And there is no problem with the Government having to pay tax to itself.

The continuing skirmishing over the issue of tax on computer software seems to indicate that the Government is seeking ways to enhance its take from the business equipment market rather than to diminish it.

At one stage, there was a fear that the home computer market could have conjured up another picture before the Prime Minister's eyes of a frivolous use of totally imported business equipment.

But in the event, the market has largely been choked off by the fact that the home computers cost around 1.7 times the prices here as in the country of origin.

As far as general business equipment is concerned the only private sector tax concessions appear to be conferred on those in the high priority export categories.

Typewriter arrival

WHEN will the Qyx typewriter arrive? The Exxon typewriter designed to compete head-on with the IBM models is still nowhere on the horizon.

The agency has been allocated in Australia, to Datronics, but there has still been no public announcement in New Zealand.

Kerridge Odeon still seems to be the front runner here. It has a nation-wide sales and service network. It does not handle any competing product.

Whoever winds up with the Qyx could have a licence to type out their own cash cheques. The Qyx is the nose cone of the oil industry's objective to bring itself fully into the information business.

Oil extraction and refining company thinking is that long-term oil is a dying industry, while the information industry is still at the threshhold of a dazzling growth path.

One problem with the Qyx, is that supply appears to have overtaken demand. Accordingly, Exxon has decided not to supply fringe markets such as New Zealand, until a saturation marketing effort in Australia has been completed.

The arrival of the Qyx will further diversify a typewriter market that rapidly expanded in options a few years ago when the thicket of patents expired protecting the IBM golf ball device.

The Qyx incorporates a vastly enhanced new erasing system with an extended memory.

It is the ease of the back-spacing erasing system, according to many typewriter marketeers, that is at the base of a machine's appeal to touch-typists.

The Australians

Australian wheatgrowers jib at Soviet embargo

Melbourne Correspondent

AUSTRALIAN wheatgrowers have serious misgivings about the equity of Australia's trade embargo against the USSR.

The present contract to supply the Soviet Union with two million tonnes of wheat by July this year will be honoured. But the Australian Government has given an undertaking to the United States that there will be no sales of Australian wheat to make up any shortfall occasioned by the American embargo on grain sales to the Soviet Union.

The consequences of this undertaking not to supply additional grain to that market has met with a mixed reception among Australian wheatgrowers and exporters.

At the national "Outlook" conference in Canberra, a prominent Australian agricultural commodity dealer said that when he had attempted to interest the Russians in commodities not on the embargo list, they told him that they had been interested, but feared the items would ulso be embargoed.

He said, the Soviet Union regarded Australia's uttitude as hostile and they would not buy the commodities.

The dealer, who acts as consultant to a number of Australian primary produce boards, told the conference Australia was in danger of losing the Russian market for its wheat. He also warned that co-operation with the United States embargo could have an indirect, but nonetheless real effect, on Australian wheat sales to China.

If the United States sold wheat to China on a favoured-nation basis, it would mean lower prices for Australian wheat in the Chinese market.

A former general manager of the Australian Wheat Board has also expressed fears that an unwillingness to make up any shortfall in Russian wheat requirements as a result of the American embargo will have serious long-term effects and may well influence export grain prices.

Last year, Russia was Australia's third-largest customer for wheat and could have been its third-largest buyer this year. But the chairman of the Australian Wheat Board, Sir Leslie Price, said he was worried as to what the long-term effects of the Government's policy would be.

He said: "If there are retaliatory measures taken by the USSR in the years ahead, then it is going to cause downward pressure on prices.

"Even though Australia might be able to sell expanded quantities of wheat to the USSR we can never foget that the price is made in the United States. That is where the effect will come through to us — reflected in a downward pressure on price in the United States, which will carry us all down with it.

"If we think seriously about this question there could be in the medium to long-term some very disturbing factors. I am not at all comfortable with the idea that this is an isolated occurence; or, that we will see relationships around the world normalised — that we will go back to where we were before. It is not going to be anything as simple as that," he said.

Steaming coal exports increase in international energy shuffle

Melbourne Correspondent

AS OPEC oil price increases stimulate the substitution of coal for oil at home and abroad, the value of Australia's coal supplies has risen dramatically.

Australia is about 70 per cent self-sufficient in oil, but known reserves are fast being depleted and the Australian Government is moving to conserve them.

To encourage the substitution of alternative fuels it operates a policy by which Australian refiners have to pay for indigenous crude oil at the prevailing import price of Saudi Arabian light crude. As this import parity policy forces up the price of oil, with each OPEC increase, so Australian industry has turned to the country's coal reserves as an alternative source of fuel.

In Western Australia power generation is being converted back to coal, not long after the completion of an expensive shift to oil.

The Australian National Line has called tenders throughout the world's shipyards for the construction of two coal-fired steam turbine vessels — the first coal-fired ships to be added to Australia's merchant fleet since the early 1950s.

Countries more dependent on oil than Australia are under even greater pressure to substitute coal for oil. From 1987 Hong Kong's new power generation plant will take 1.5 million tonnes of Australian steaming coal and New South Wales will supply 7.5 million tonnes of steaming coal a year to South Korea's first major coal-fired power station.

In Japan, two of the five major aluminium smelters, serviced by oil-fired power, are to be closed. The output will be transferred to a series of new aluminium smelters in Australia, running on coal-fired electricity.

The growing interest in Australia's coal reserves has not been confined to her Asian trading partners. For five years, the Sydney-based Energy Recycling Corporation has been researching the production of a refined, powdered, concentrated coal, in liaison with a major American utility, the Lower Colorado River Authority.

Representatives of the American utility recently negotiated with ERC on the export of the new coal product to the United States of America as a fuel alternative for oil-fired and gas-fired electricity generation.

A director of the utility executive said in Sydney that the process could save the United States billions of dollars by permitting oil-fired and gas-fired generators to convert to coal.

The price of the coal delivered to the United States was significantly lower than that of the oil and gas required to generate an equivalent amount of electricity.

As these countries switch from oil to coal, Australia's coal export prices rise.

Following oil price increases of 400 per cent in late 1973, the export price of Australian coal steadily increased so that by the end of 1975 it had trebled.

Last year coal exports of $A1.5 billion were almost double the net value of oil imports and Australia, along with Norway, the Netherlands and Canada, is listed by the OECD as one of four member countries that rank as net exporters of energy. All the rest are importers.

Already Australian steaming coal prices have risen again in response to the most recent OPEC increases.

According to an analysis by Australia's Reserve Bank, increases in the price of substitute forms of energy, such as coal, "are sufficiently large to result in a rise in the price of energy relative to the price of goods generally".

In short, the optimists argue, the terms of trade of energy-exporting countries are improving at the expense of the energy importers, and Australia should in the long term enjoy a transfer of real income from these energy importers, leading to higher living standards for Australians in the 1980s.

Policy covers foreign risks

INCREASING numbers of Australian exporters and investors are seeking insurance cover against the risks incurred through foreign economic and political troubles.

The Government-owned Export Finance and Insurance Corporation (EFIC) reports that it underwrote a record number of policies in the last financial year, providing specialised insurance guarantee and financing facilities not normally obtainable from commercial insurers.

An EFIC spokesman said foreign exchange difficulties were a growing problem, particularly in some of the developing countries.

A public instrumentality guaranteed by the Australian Government, EFIC operates on commercial lines and is self-supporting.

Risks covered by EFIC's insurance include those arising from insolvency, default, and repudiation of contract by individual foreign buyers.

The other categories of risks are those that stem from general political and economic troubles: war, civil strife, foreign exchange problems, and cancellations of import licences.

Policies can provide for the pre-shipment and post-shipment periods, and special policies provide for service contracts, consignment stocks held overseas, goods being processed overseas and construction works contracts.

Australian banks financing export transactions can also obtain cover from EFIC, while a policy itself can be used by the exporter as collateral security to assist in financing export trade.

Premium rates depend on the market to which the goods are being exported and the length of credit extended to the overseas buyers.

Industrial relations

Guatemala dispute threatens Coca-Cola

PRODUCTION and distribution of Coca-Cola is likely to be disrupted soon.

The Allied Liquor Union, which covers people employed in the soft drink industry, will be calling on the Federation of Labour to cut off supplies for a limited period — perhaps a week.

It is not that the union has any argument with the Coca-Cola Corporation or local bottlers. Rather, it wants to put pressure on Coke's head office in Atlanta to withdraw a licence to bottle from a Guatemala company.

Over a month ago, the union called on local bottlers (there are several in New Zealand) to ask the Atlanta office to withdraw the licence. National secretary Ken Glendening says he has not had a letter back from any of them.

So he has asked his members to take a vote on whether they want to act on their own, or to seek the FOL's help.

If the FOL comes in to it (and that is likely either just before, or during, next month's annual conference), then hotel workers, drivers, airline stewards and storemen could be pulled in to cut Coke off from the public.

The campaign against the Guatemala company is an international one: storemen in Australia are cutting off supplies of plastic Coke bottles; Sweden began a three-day boycott last week, and Mexico workers start this week; Denmark has already acted, along with Norway.

The trouble concerns trade union rights in the Guatemala company, which is owned by a Texan lawyer and businessman. The International Union of Foodworkers claims he denies his employees the right to unionise.

The IUF says the company refused to renew a wages agreement in February. And earlier, the plant manager said the plant's union leaders would not be alive to enjoy the benefits of what they were trying to negotiate.

There have been attempts to buy off union leaders with well-paid jobs. Armed security guards and military policemen, sometimes accompanied by dogs, police the plant. Several managers are armed.

Amnesty International reports that two officials of the Guatemala Bottling Plant Union have been murdered. Others have had their wages held back in reprisal for their trade union activities.

Some have been forced to sign blank pieces of paper which were later filled in to suggest that they were actually members of a rival, company-sponsored, union.

Although the action is limited to Coca-Cola, there are shades of Chile to the argument. The FOL has a trade ban on Chile because the Government there does not allow trade union freedom.

Amnesty's reports indicate the regime in Guatemala might also be worthy of such attention:

"To be a union leader or active member of a trade union in Guatemala today means risking one's life.

"Furthermore, trade unions are subjected to systematic union-breaking by both Government and employers by means of delays ranging from several months to two to three years in granting legal recognition (without which no union can operate); cancellation of legal status of unions which oppose Government policies; discrimination against active trade unionists; creation of 'yellow' company-sponsored unions; false plant closures, whereby an enterprise is re-opened under another name with a new workforce and no union."

New Zealand's trading relations with Guatemala are not close. Otherwise it might qualify to join Chile on the FOL's trade ban.

Freezing industry

Shareholders stall on co-operative

PROPOSALS to convert the Alliance Freezing Company (Southland) Ltd into a co-operative have stalled.

At the annual meeting last month, shareholders opted out of making a firm decision on the issue, and the meeting was adjourned. No date was set for a resumption.

The move was an organised one, designed to prevent directors' proposals for converting the company into a co-operative from being thrown out altogether. The proposals had run into stiff opposition from some quarters (*NBR* March 3).

The major stumbling block was the return on investment for "dry" shareholders. Directors were proposing a three for two bonus issue, but were accused of being niggardly.

As a co-operative, the emphasis would be on rebates for farmer shareholders. Dividends for "dry" shareholders would take second place. Those who wanted to could sell out, and the cash return for such an action through the bonus issue was considered by many to be too low.

Shareholders spent over an hour discussing the proposal before one of the biggest critics of the directors' proposals, Aubry Begg — former Labour MP for Awarua — moved an adjournment. It succeeded by about 100,000 votes. The directors are now considering their next moves.

If the proposals had been put, they might have been lost altogether — 75 per cent approval was required. Directors were anxious to avoid an outright rejection.

People involved are predicting that an independent assessment of the value of the company's works at Lorneville, near Invercargill, will be made. Shareholders had complained the value was placed far too low, at about $20 million.

They also predict that there will be changes relating to proposed dividends and that they will be closer to commercial rates of interest, and there will be more incentive for "dry" shareholders to leave their money in the company.

However, all shareholders agree that eventually the Alliance company will go co-operative. It is just a question of striking the right balance.

Industrial relations

Bolger sets out strategy to convince unions

CURBING the unions is not inconsistent with the general preference in the National Party to free up the economy, says Labour Minister Jim Bolger.

In an interview with Colin James on the Government's medium-term and long-term industrial relations strategy, Bolger said the reason behind freeing up the economy was to make New Zealand more competitive.

"I think we need to convince the trade unions that they are part of this freeing up — that if we are going to free up restraints in some areas and there are not greater restraints by the trade unions, we are not going to make progress."

And how does he intend to change union attitudes? "By talking, persuasion and occasionally in special circumstances by legislation."

This is the second and final part of the interview.

Jim Bolger . . . commit taxpayers' money.

NBR: You see the conciliation and Arbitration Court structure as basically sound?

Bolger: I see that as basically sound as an approach rather than the approach that is adopted so often now which says, "We are going to hang in here and fight until we get our bit and we're not going to go through any formal arbitrary process".

The one qualification one has to put on the Arbitration Court process is that it tends to have within its purview only the particular dispute that is there for it to resolve and it doesn't take into account what its decision might mean in the economic context in general.

But that's a refinement that's possible to resolve if we had a stronger commitment from trade unions that they would use the system.

Are you also happy, then, with a system which gives state recognition and backing — with the money that's spent through the Labour Department with free services and so on and state-backed sanctions?

Bolger: The question of compulsory unionism is one of long standing in New Zealand and there have been various approaches to remove this arbitrary method of maintaining union membership.

The latest was to insist that there should be a vote of all members and trade unionists, or those who have taken the trouble to vote, have overwhelmingly supported the status quo, that is, compulsory membership.

Government support to the trade unions is mainly in the conciliation process where we do provide considerable funds and personnel to assist and one could argue that we are not getting value for our money in some ways. We still have a system that unfortunately breaks down and heads into dispute too frequently.

The objective of Government becoming involved in the conciliation and arbitration process is that the system will be used.

If we can't improve, particularly in the latter part, that is in the willingness to follow through completely and go to arbitration if the parties can't resolve it in conciliation, I think the Government should look at whether its commitment of taxpayers' money is appropriate in the circumstances.

How much of the Government's patience must be expended before it reaches that point? Do you have some sort of time scale?

Bolger: No, I don't have a firm time scale at the moment. We had a small victory last year when a major union such as the Drivers' Union, which is one of the more militant, went through the system, accepted the system and accepted the determination of the system.

This coming wage round which starts in a month or two's time, may be a test as to whether or not the trade union movement, in general, has greater faith now in the arbitration system and are prepared to use it.

If they don't, then clearly we are going to have to look at it and say, "Well, what are we achieving by providing and funding a mechanism that the parties won't use?"

You don't see, perhaps, the system breaking down entirely as some trade unionists do.

Bolger: No. I don't see the system breaking down entirely. There may be one or two in the trade union movement who see that and, of course, there are those with political views who obviously see the only way to improve any system is to destroy what's there and try to build on it. That political persuasion is within the trade union movement or small elements of it.

By small elements, you mean the Socialist Unity Party and the Marxist-Leninist groups and so on?

Bolger: Yes. They obviously have this approach to the New Zealand industrial relations structure and the conciliation and arbitration system.

Yet I have talked to people who certainly don't fall in that class — they are articulate and young people now reaching quite important positions in the trade union movement who fear the Government is in fact seeking to break the system down. They base this view on the Fishing Industry (Union Coverage) Act, the Remuneration Act . . .

Bolger: The Fishing Industry (Union Coverage) Act did, in an area where there was a vacuum, prescribe that there would be an industry union, which I think is totally logical.

There was in essence no union activity in that area, no union who could claim they had coverage, coverage they hadn't exercised.

That was perfectly logical — not designed to break the system but, designed, if you like, to provide an element of modernisation.

You seem to me to have, in that case, seized the opportunity to instigate an industry union.

Bolger: Yes.

You seized the Kinleith opportunity, belatedly, but you did seize it, to take some steps toward an industry union. Can we expect that, then, to be one of the hallmarks of your tenancy of the portfolio that you will take every opportunity you can to encourage the formation of industry unions?

Bolger: Yes. I will take every opportunity to encourage modernisation of the total system. You have identified two, and I don't deny either of them, that I was able to build on opportunities that existed or that became apparent.

I do that, because we have in New Zealand a conservative trade union structure. And I don't hold the view that it is possible to modernise its approach overnight.

You've got to move within the confines of the personnel and the attitudes and the history of the trade union movement we've got in New Zealand. That leads to the approach which is to take the opportunities, or to create them in certain instances as I did in Kinleith, to make progress.

That's a hell of a way of conducting dialogue, though, isn't it. Wouldn't you rather be talking calmly about it than in the heat of a dispute?

Bolger: Yes, I would much prefer. But in industrial relations unfortunately, it is often in a period of stress that people are prepared to reassess their attitudes, reassess their position.

The Remuneration Act really enshrines in legislation what is, I think, accepted by everybody, bar some trade unionists, that Government has a role in the wage-fixing sector of the economy.

Wages are a very, very important aspect of economics. The Remuneration Act gives the Government the capacity to involve itself there — infrequently and, hopefully, even more infrequently in the future.

We need to get accepted in trade union circles in the next little while that the Government has a legitimate role, has a right to be concerned, and, in certain circumstances, to be involved.

There was a time when Peter Luxford and Tom Skinner and whoever happened to be Minister of Labour, particularly when Tom Shand was, were able to talk to each other relatively easily and solve problems without letting them get out of hand. Do you sometimes yearn for that arrangement? Would it not be possible to not reform the system at all, if you had really good people at the top?

Bolger: Obviously, every organisation changes and develops according to the personality of those at the top. I accept that whoever is elected or appointed to the various positions in the industrial relations arena I have to deal with as Minister of Labour.

The three you listed all worked during a period when there was a quieter, calmer economic climate than we've got at the moment. They didn't have to deal with the things that we are going to have to deal with in the next little while — technology, the impact on employment, they didn't have to work through a period in which we've got much higher unemployment — and so in retrospect, they had a pretty easy time to work in.

What you're really saying is that those three may have been able to get on then, but now you've got to resort to legislation because you cannot, in the circumstances of the time, achieve that sort of relationship.

Bolger: No, what I'm saying is the circumstances they worked in were more conducive to smoother industrial relations because the system was not changing a great deal, the economy was growing, not on downward swoops, not disrupted by Arab oil embargoes or whatever. It was a smoother period in New Zealand's history.

But there was the 1966 wool price crash and the 1968 nil wage order.

Bolger: That's right, there was. But it was still a smoother period in New Zealand's history.

In general terms, of course, it's highly desirable that the key elements in the industrial relations arena — the head of the Employers' Federation and the Federation of Labour and the relevant Minister of Labour — can work and communicate easily with each other. I don't have any difficulty working and communicating with either of the other two Jims that are in the job.

How often do you talk to them?

Bolger: I talk quite frequently and on my assessment as often as it's desirable and necessary. But I don't have any pattern in which I think I should ring them on Mondays or Fridays.

If there is a matter in question — I had both of them in my office here today, discussing two or three issues. You probably weren't aware of them until now. So, journalists' perceptions of how often we are in contact is perhaps a little false.